Settlement Services

Functional Guide

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CENTRAL SECURITIES DEPOSITORY

OeKB CSD GmbH

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Revision History

Version	Date	Chapter	Changes
V1.0	31.03.2014		
V2.0	07.04.2015	5.1	BIC4 of OeKB CSD will be "OCSD". The BIC4 will be used as a prefix to the securities account numbers.
		5.2	Hold/Release Default will only be supported for ISO 20022.
		8.1.3.2	Partial Settlement of settlement instructions will be triggered only in case of insufficient units (not in case of insufficient cash coverage)
			Addition of description of partial settlement indicators PARC, PARQ, only relevant for SWIFT 20022
		8.1.9	Only unmatched instructions are cancelled by system after 20 days.
		8.1.9.1	Correction of figure 14: Cancellation of an instruction
		8.2.3.5	For external depositories offering the PREA option Blocking is performed on settlement day
		8.2.8, 8.2.9	External instructions are only supported in ICP mode and cannot be modified via T2S GUI.
		8.4	New: Physical
		12	New: Settlement of Corporate Actions
		14	New: Reporting

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1 Introduction

The introduction of TARGET2-Securities (T2S) requires us to adapt the OeKB CSD Settlement Services accordingly.

T2S is an IT platform which

- is being developed by the German, Italian, French and Spanish central banks (4CB, 4 Central Banks) on behalf of the Eurosystem,
- will be implemented for the settlement of securities transactions versus central bank money by 24 Central Securities Depositories (CSDs)[1] within the framework of an IT services agreement (Framework Agreement to be concluded between each CSD and the Eurosystem), and
- will be used by the central banks for holding cash accounts.

The new IT platform is scheduled to go live for the OeKB CSD in September 2016.

1.1 Objective of the Functional Guide

This Functional Guide contains information about how T2S is planned to be implemented by the OeKB CSD. The document presents a preview of the services and processes related to securities settlement, as they will be available in the future.

Additional in-depth information is provided in the *Settlement Client User Manual* and in the *Settlement SWIFT Manual ISO15022* or *Settlement SWIFT Manual ISO20022*.

1.2 Contents of the Functional Guide

The Functional Guide outlines the methods of communication with the OeKB CSD Settlement Services for OeKB CSD participants. It provides an overview of the OeKB CSD's scope of services and describes the cash and securities settlement process. It also includes a detailed description of the individual transaction and instruction types.

With the software implementation currently ongoing the document's content is still subject to change. The Functional Guide will be updated regularly with new information about the future OeKB CSD Services. The latest version will be published on our website and information emails will be sent at regular intervals.

[1] The Appendix provides an overview of participating CSDs and migration waves.

1.3 Interrelationship of the Functional Guide with Other Documents

Document Name	Hyperlink	Version	Brief Description
Settlement Client User Manual	*Link to document*	Version 1.0	Description of the Settlement Client user interface
Settlement Services SWIFT Manual ISO 15022	*Link to document*	Version 2.0	SWIFT standards for the settlement services in ISO 15022 format
Settlement Services SWIFT Manual ISO 20022		This manual is planned to be available in the 2nd quarter of 2015	SWIFT standards for the settlement services in ISO 20022 format: Any supplementary information to T2S Standard ISO 20022 inferace description

1.4 Acronyms and Terms

Acronym/Term	Description
ISO 15022	ISO standard for SWIFT messages – ISO 15022 specifies the (older) FIN format. Message designations are given in the format MTnnn, e.g. MT540
ISO 20022	ISO standard for SWIFT messages – ISO 20022 specifies the (newer) MX format. Message designations are given in the format aaaa.nnn.nnn, e.g. sese.023.003, with the message type usually being referenced without the last three digits, which are only used for versioning purposes
A2A	Application to application (communication with the T2S System using ISO 20022 messages); see also U2A
APMT	Against Payment - SWIFT Code used to identify instruction types (ISO 20022)
BIC	Bank Identifier Code, e.g. OEKOATWWXXX for OeKB
CB	Central Bank
CCP	Central Counterparty
CCP.A	Central Counterparty Austria
CoSD	Conditional Securities Delivery
OeKB CSD	Central Securities Depository Austria
OeKB CSD Participant	Securities account holder with the OeKB CSD

DCA	Dedicated Cash Account
DCP	Directly Connected Participant - a participant with a direct technical connection to T2S
DEAG	Delivering Agent - deliverer of settlement instructions
DELI	Deliver - SWIFT Code for delivery of securities
DFP	Delivery Free of Payment - securities transfer without payment
DPH	Physical Deposit - physical deposit of securities in the vault
DVP	Delivery Versus Payment - delivery of securities versus payment
DWP	Delivery With Payment - delivery of securities together with payment (as opposed to "versus" or "free of" payment)
EOD	End of Day
FOP	Free of Payment - securities delivery/receipt without payment
Cash Account	An OeKB CSD participant's account; it is used to debit or credit payments
Counterparties	Two OeKB CSD participants settling their transactions via OeKB
IBAN	International Bank Account Number
ICP	Indirectly Connected Participant - a participant with an indirect technical connection to T2S
ISD	Intended Settlement Date - the date on which the instruction should be settled
ISIN	International Securities Identification Number
ISO	International Standards Organisation
MSA	Market Specific Attribute - an attribute defined in the T2S master data for a specific CSD
MT	Message Type (in SWIFT ISO 15022 messages)
MX	Message Type in XML syntax (in SWIFT ISO 20022 messages)
NTS	Night-Time Settlement (part of the T2S daily processing)
OeNB	Oesterreichische Nationalbank
PFD	Payment Free of Delivery - payment without the delivery of securities

PREA	Preadvice - settlement instructions sent as PREA receive status "hold" in T2S
REAG	Receiving Agent - receiver within settlement instructions
RECE	Receive - SWIFT Code for receipt of securities
RFP	Receive Free – receipt of securities without payment
RTS	Real-Time Settlement (part of the T2S daily processing)
RVP	Receive Versus Payment - receipt of securities versus payment
RWP	Receive With Payment - receipt of securities together with payment (as opposed to "versus" or "free of" payment)
SOD	Start of Day
T2S	TARGET2-Securities (System of the Eurosystem)
TARGET2	Trans-European Automated Real-time Gross Settlement Express Transfer System is the second generation of the TARGET payments transaction system
U2A	User to application (communication via the T2S Client); see also A2A
WPH	Physical Withdrawal - the act of physically withdrawing securities from the vault

2 Notable Changes in the OeKB CSD Settlement Services

The following table gives a rough outline of the most notable changes in connection with the migration to T2S:

#	Description	Chapter in FG	Other Documents
1	Message formats ISO 15022 and ISO 20022	3	*Settlement SWIFT Manual*
2	New technical connection types	3	
3	Segregation of positions on a securities account	5.3	
4	Changes in the daily processing	7	
5	Changes of existing and adding of new OeKB CSD transaction types	8	
7	New instruction types	8.1.1	*Settlement SWIFT Manual*
8	Extended Hold/Release functionality	8.1.3.1, 8.2.3.1	*Settlement SWIFT Manual*
9	Partial Settlement	8.1.3.2	*Settlement SWIFT Manual*
10	Linking of Instructions	8.1.3.3	*Settlement SWIFT Manual*
11	Prioritising of instructions	8.1.3.4	*Settlement SWIFT Manual*
12	Settlement restrictions for flagging positions	9	*Settlement SWIFT Manual*
13	Physical deposit or withdrawal of securities via SWIFT	8.4	*Settlement SWIFT Manual*
14	Use of the Data Source Scheme discontinued -> OeKB CSD participants are identified exclusively by BIC code		*Settlement SWIFT Manual*
15	Serial instrument support discontinued		

3 Technical Connection to the OeKB CSD

OeKB CSD participants can use the following technical connection types to employ the services of the OeKB CSD:

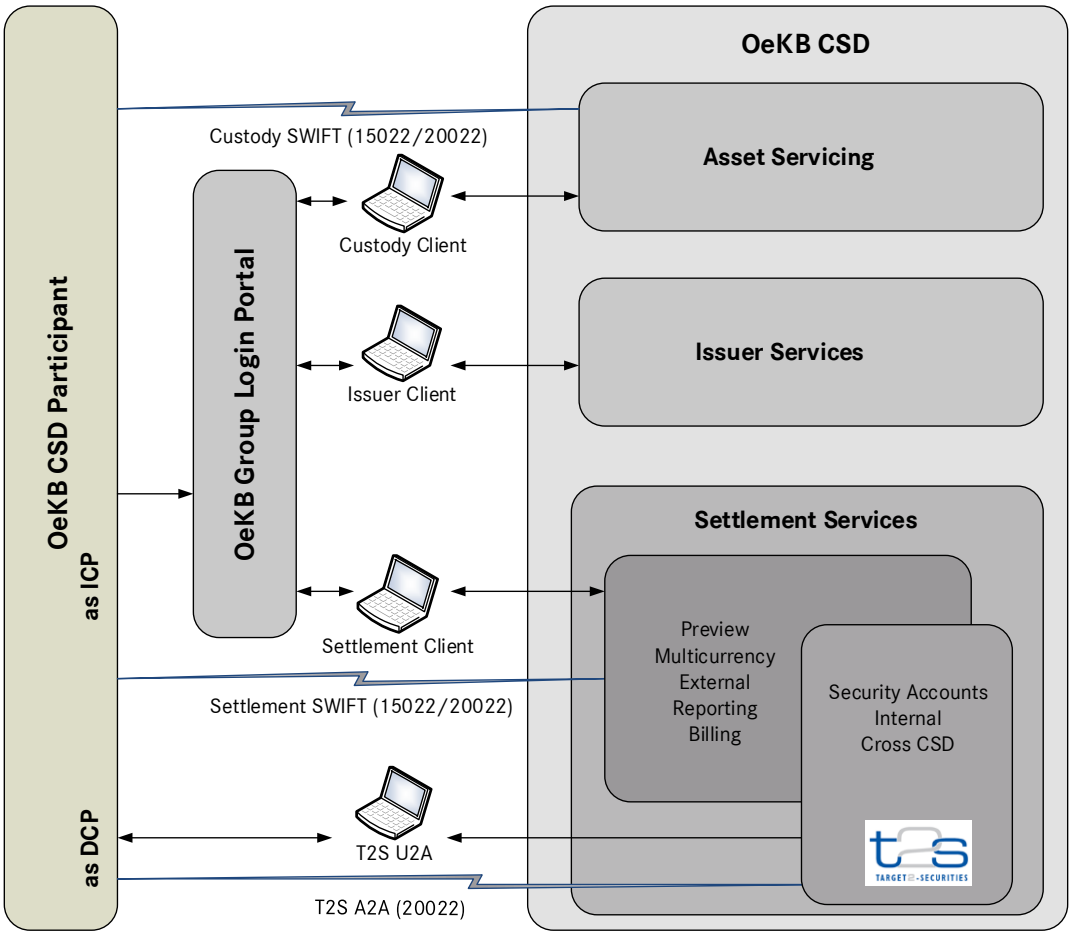


Figure 1: Technical Connection to the OeKB CSD

This Functional Guide exclusively covers the settlement services of the OeKB CSD.

4 Technical Connection for Using the OeKB CSD Settlement Services

Each OeKB CSD participant can employ the OeKB CSD Settlement Services using one or more of the four technical connection types listed below.

Connection Type	**ICP/DCP**
Settlement Client	As indirectly connected participant
Settlement SWIFT (ISO 15022/ISO 20022)	
T2S U2A	As directly connected participant
T2S A2A (ISO 20022)	

OeKB CSD participants who are CSDs and use T2S can employ the settlement services of OeKB CSD also via the Inter-T2S-CSD interface. This interface is not explicitly described in this document.

The following table lists the OeKB CSD Settlement Services for ICPs and DCPs in comparison.

Service	ICP		DCP	
	Settlement SWIFT	Settlement Client	T2S A2A	T2S U2A
Settlement				
Intra-CSD and cross-CSD settlement	ISO 15022 ISO 20022	✓	ISO 20022	✓
External-CSD settlement	ISO 15022 ISO 20022	✓	n. a.	n. a.
Special case: cross-CSD settlement with external-CSD settlement	ISO 15022 ISO 20022	✓	✓	✓
Multicurrency settlement	ISO 15022 ISO 20022	✓	n. a.	n. a.
Auto receive	✓	✓	n. a.	n. a.
Physical	ISO 15022 ISO 20022	✓	n. a.	n. a.
Change Global Certificate	ISO 15022 ISO 20022	✓	n. a.	n. a.
Securities account view	n. a.	✓	n. a.	✓
Billing	n. a.	✓	n. a.	n. a.
Reporting	ISO 15022 ISO 20022	✓	ISO 20022	✓
Other Services of the OeKB CSD				
Technical connection support	✓	✓	n. a.	n. a.
Support and test assistance	✓	✓	✓	✓
Master data maintenance for OeKB CSD participants	✓	✓	✓	✓
Opening and administration of securities accounts	✓	✓	✓	✓
Administration of user authorisations, profiles	✓	✓	✓	✓
Individual message subscription	✓	✓	✓	✓

4.1 OeKB CSD Participants with DCP Connection

OeKB CSD participants (in their role as DCP) use their own technical connection to the T2S interface using the services of a value-added network service provider (VA-NSP). Possible VA-NSPs are SWIFT and SIA/Colt.

The contractual agreement, however, always governs only the relationship between the OeKB CSD and the individual DCP, independently of type of the technical connection.

There are two types of communication a DCP can use:

- Application to application (A2A), using ISO 20022 (via VA-NSP) and/or
- User to application (U2A), using the U2A Client (via VA-NSP)

Prerequisites for a direct connection are:

- A "non-binding commitment" for a DCP connection has been made on or before Oct. 15th, 2013.
- DCPs must grant the OeKB CSD a "binding declaration". The deadlines depend on whether the DCP wishes only a U2A connection or an A2A connection as well. For migration wave 3, in which the OeKB CSD is scheduled to migrate, the following deadlines are currently set:
  - A2A mode 16.02.2015
  - U2A mode 16.11.2015
- The ISO 20022 message format must have been implemented
- A contract with a VA-NSP must exist
- There must be a Eurosystem certification (Certification Test); depending on whether only a U2A or also an A2A connection is wanted
- A DCP needs to be authorised by the OeKB CSD to use a direct U2A or A2A connection. Therefore, the OeKB CSD will be conducting "Authorisation Tests" with the DCPs.
- An RSA token for each user is required for the U2A connection[2]

The following services are available to DCPs (in their role as ICP) only via Settlement SWIFT interface or via the Settlement Client of the OeKB CSD:

- Entry of instructions to external depositories and multicurrency instructions.
- Physical deposit and withdrawal of securities (Physical)
- Increases and decreases of global certificates (Change Global Certificate)
- Auto receive

For details about the ICP system access please refer to chapter 4.2.

[2] The RSA token will be provided by the VA-NSP.

4.1.1 Access via T2S A2A Interface

Direct access via T2S A2A interface is only available in ISO 20022 format.

OeKB CSD participants can specify the SWIFT message types they want to receive from the T2S A2A interface (see chapter 4.1.3).

4.1.2 Access via T2S Client (U2A)

The functionalities available to DCPs via T2S U2A depend on their authorisations. All authorisations are granted by the OeKB CSD as agreed with the customer.

Detailed information about the technical connection via T2S U2A is provided by the VA-NSP.

4.1.3 Message Subscription for T2S A2A

Messages from DCPs are exchanged directly via the T2S A2A interface.
Copies of the SWIFT messages sent/received by a OeKB CSD participant via T2S A2A are sent to the OeKB CSD. These copies allow OeKB CSD participants with a direct connection e.g. to obtain information about their instructions and positions directly on the Settlement Client as well.

The message subscriptions (specifications which messages the participant wants to receive - status messages and execution messages) for a DCP are defined directly in T2S by OeKB CSD.

For details about the Message Subscription Rules please refer to the T2S User Handbook.

4.2 OeKB CSD Participants with Indirect Connection

OeKB CSD participants (in their role as ICP) have a technical connection via Settlement Client or via Settlement SWIFT messages (ISO 15022 or ISO 20022).

Figure 2: System communication - Indirect Connection

4.2.1 Access via Settlement SWIFT Interface

The existing ISO 15022 Settlement SWIFT interface for OeKB CSD participants will remain available with some adaptations.

An additional ISO 20022 Settlement SWIFT interface will become available.

OeKB CSD participants can specify the SWIFT message types they want to receive from the Settlement SWIFT interface. Status messages can be broken down to their individual status transition levels and reason codes. For details on message subscription, please see chapter 4.2.3.

For information about changes in the content requirements for existing SWIFT messages and for details regarding new message types, please refer to the Settlement SWIFT Manual.

4.2.2 Access via Settlement Client

OeKB CSD customers can enter instructions on the Settlement Client. The Settlement Client also provides options to enquire the securities positions (holdings and preview) as well as billing, reporting and administration functionalities.

Participants log on to the Settlement Client at the OeKB Group Login Portal (login.oekb.at) using a 2-factor authentication method (entry of a password and a token).

For services with 2-factor authentication the customers' system administrators can define whether users must log on using RSA Key Fob tokens or SMS tokens.

Login is possible with a user name, password, PIN and token code (RSA Key Fob token or SMS token).

For further information and for details on how to register a new OeKB CSD Settlement Services user and Key Fob/SMS tokens, please refer to the Settlement Client User Manual.

4.2.3 Message Subscription for Settlement SWIFT

ICPs can manually configure their message subscriptions on the Settlement Client.

For ISO 15022 connected OeKB CSD participants message subscription is based on MT messages. It is possible to deselect status messages. It is also possible to restrict messages to certain reason codes.

For ISO 20022 connected OeKB CSD participants message subscription is based on MX messages, but otherwise identical to ISO 15022.

Message subscription is configured at securities account level. For each securities account the message subscription can be defined based on:

- Instructing Party (who sent the instruction underlying a response or status message in question)
- Destination BIC (what is the destination of the message to be sent)

This makes it possible to specify individual message subscriptions for each message sender and recipient if there are more than one authorised parties.

Confirmations

- Receive Free Confirmation - MT544/sese.025
- Receive Versus Payment Confirmation - MT545/sese.025
- Deliver Free Confirmation - MT546/sese.025
- Deliver Versus Payment Confirmation - MT547/sese.025
- Receive With Payment Confirmation - MT545/sese.025
- Deliver With Payment Confirmation - MT547/sese.025
- Payment Free of Delivery (Debit) Confirmation - MT545/sese.025
- Payment Free of Delivery (Credit) Confirmation - MT547/sese.025
- Intra Position Movement Confirmation - MT508/semt.015

Status Advice

- Transaction Status Advice - MT548/sese.024
- Cancellation Status Advice - MT548/sese.027
- Modification Status Advice - MT548/sese.031
- Securities Settlement Transaction Generation Notification - MT548/sese.032
- Intra Position Movement Status Advice - MT548/semt.014

Allegement

- Allegement Notification - MT578/sese.028
- Allegement Removal Advice - MT578 /sese.029
- Allegement Cancellation Advice - MT578/semt.020

Additionally, it is possible to restrict messages to certain transaction types and reason codes. Optionally, securities account numbers can be mapped to the old format.

Message Subscription Example:

Bank A is the holder of a securities account. As a CCP.A participant, Bank A has authorised CCP.A to place instructions on its behalf. Bank B and Bank C have been authorised by Bank A to send instructions on the securities account and to receive settlement details.

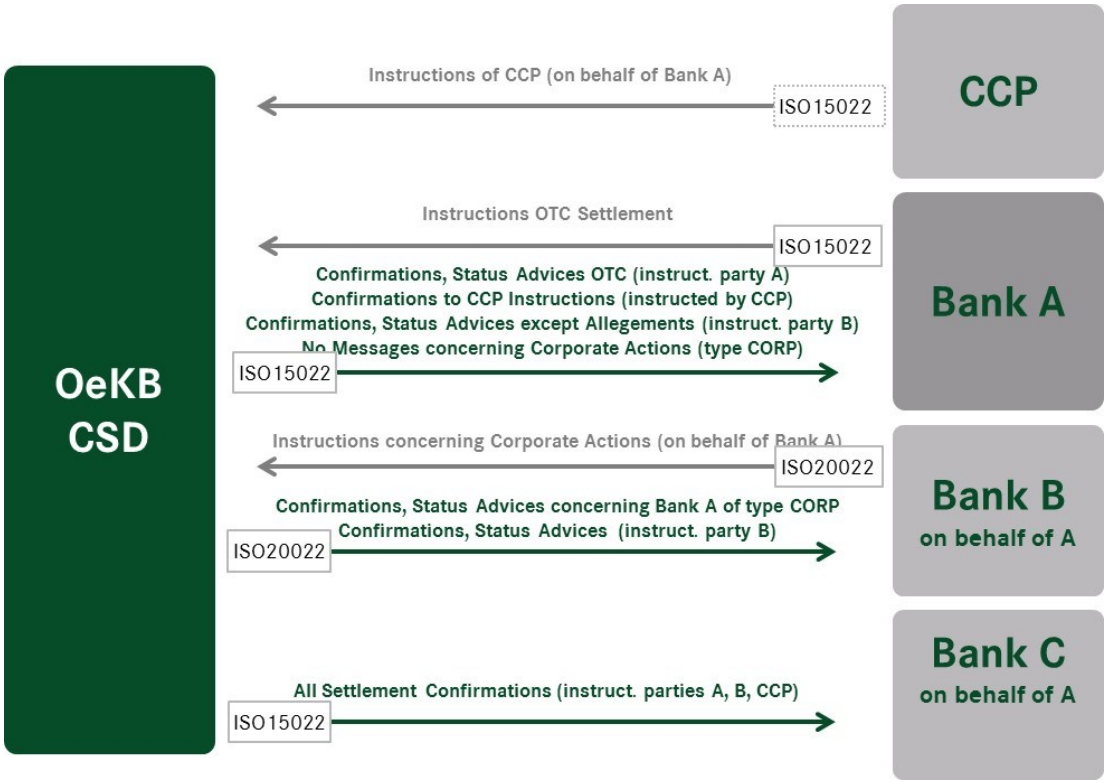

OeKB CSD
Instructions of CCP (on behalf of Bank A)
ISO15022
CCP
Instructions OTC Settlement
ISO15022
Confirmations, Status Advices OTC (instruct. party A)
Confirmations to CCP Instructions (instructed by CCP)
Confirmations, Status Advices except Allegements (instruct. party B)
No Messages concerning Corporate Actions (type CORP)
ISO15022
Bank A
Instructions concerning Corporate Actions (on behalf of Bank A)
ISO20022
Confirmations, Status Advices concerning Bank A of type CORP
Confirmations, Status Advices (instruct. party B)
ISO20022
Bank B
on behalf of A
All Settlement Confirmations (instruct. parties A, B, CCP)
ISO15022
Bank C
on behalf of A

Figure 3: Message subscription example

Bank A defines the following message subscriptions for itself and for its agents:

- Destination BIC Bank A (i.e. Bank A wants to receive the following messages itself)
  - Format ISO 15022
  - For instructing party Bank A (=> for instructions sent by Bank A itself):
    All confirmations and status advices except transaction type CORP (=> no settlement messages for corporate actions)
  - For instructing party CCP.A: Only settlement confirmations
  - For instructing party Bank B: same as for own instructions, except allegement messages
- Destination BIC Bank B (i.e. forwarding of messages to the authorised party Bank B):
  - Format ISO 20022
  - For instructing party Bank B (=> for instructions sent by Bank B on behalf of Bank A):
    All confirmations and status advices

- For instructing party Bank A (=> copy of messages for instructions sent by Bank A)
  All confirmations and status advices with transaction type CORP (for corporate actions)

- Destination BIC Bank C (i.e. forwarding of messages to the authorised party Bank C):
  - Format ISO 15022
  - For all instructing parties:
    All settlement confirmations

For details about the Message Subscription Rules, please refer to the Settlement Client User Manual.

5 Securities Account Structure and Securities Positions Management

5.1 Securities Account NumberLogic

All existing securities accounts and positions will be migrated. The securities account numbers will be extended as follows:

- BIC4 (the first 4 digits) of the OeKB CSD = OCSD plus
- Existing securities account number of the OeKB CSD participant (e. g. 111100)

The resulting securities account number in this example therefore is OCSD111100.

ICPs can continue using the "old" securities account number in the Settlement SWIFT interface. The system maps the number to comply with the new numbering convention.

5.2 Securities Account Settings

The OeKB CSD can set a securities account category depending on customer requests or according to technical settlement requirements. In T2S the securities account category is one of the MSAs (Market Specific Attribute).

At present, the following categories are planned to be available:

Securities Account Category	Usage
No constraints	Default
Technically blocked	The OeKB CSD will use this type of securities account, if it is necessary to block positions during settlement. Possible usage scenario: for certain corporate actions (currently being analysed)

Securities Account Category	Usage
Receives blocked	OeKB CSD participants can have securities accounts of these blocking categories created for them. The blockings are not related to settlement processes of the OeKB CSD. OeKB CSD participants can also submit instructions for these blocked securities accounts. However, these instructions are not settled automatically. Before they are further processed, they are subjected to a previously defined validation procedure. The instructions' status is "CSD Validation Hold" until the validation step has been completed.
Deliveries blocked	
Deliveries and Receives blocked	
Blocked – Special Holding Type	This securities account category is used for special safekeeping types, such as Individual Custody. For positions held in Individual Custody additional processing steps are required beyond automatic handling. The instructions' status is "CSD Validation Hold" until these steps have been completed.

- Hold/Release Default (only for ISO 20022)

  If the Hold/Release Default is set to "Hold", instructions sent without hold/release flag are automatically set to "hold". If the hold/release flag is specified directly in the message, this value overrules the selected default setting.

- Partial Settlement Default (only for ICPs)

  If not otherwise specified, partial settlement is allowed. Using the Partial Settlement Default, ICPs can disallow partial settlement for instructions where the Partial Settlement Indicator is not explicitly set.

- Earmarking (flagging of the entire securities account for auto-collateralisation)

  OeKB CSD customers can earmark a complete securities account for auto-collateralisation. As a result, all positions on this securities account can be used for auto-collateralisation, provided that the securities are admitted as collateral by the central bank.

- Securities Account Access

  OeKB CSD participants can authorise other OeKB CSD participants to access their securities accounts. The OeKB CSD configures these authorisations as specified in the written power of attorney granted by the holder of the securities account.

- Auto Receive (only for ICPs)

  For receipt of securities free of payment "Auto Receive" can be set at securities account level. In this case the system automatically generates the matching instruction (RFP) based on the allegement for the counterparty instruction (DFP) (see chapter 8.1.7).

5.3 Securities Account Positions Management

Characteristics to classify positions are:

- The securities account
- The security (ISIN - International Securities Identification Number)
- The restriction type (see chapter 9)

The safekeeping types WR (fiduciary collective custody) and GS (collective clearing custody) are no characteristics to classify positions. In the future, all positions of a security held with the OeKB CSD will have the same safekeeping type, because for OeKB CSD there will be only one place of safekeeping for each ISIN. Securities positions of the type SB (individual custody) will be held at the corresponding blocked securities account.

5.4 Securities Account and Positions Details

Details about the securities accounts and positions can be viewed on the Settlement Client. They are provided in the form of reports as well. For more information see also:

- Chapter 11.2.7
- Chapter 14
- *Settlement Client User Manual*

6 Cash Account Structure

Each securities account must have assigned at least one default DCA (Dedicated Cash Account) in T2S. The DCA accounts are set up by the central bank. Each DCA account must have assigned an RTGS account in TARGET2 (T2). The DCAs are held in T2S and receive a specifically assigned account number.

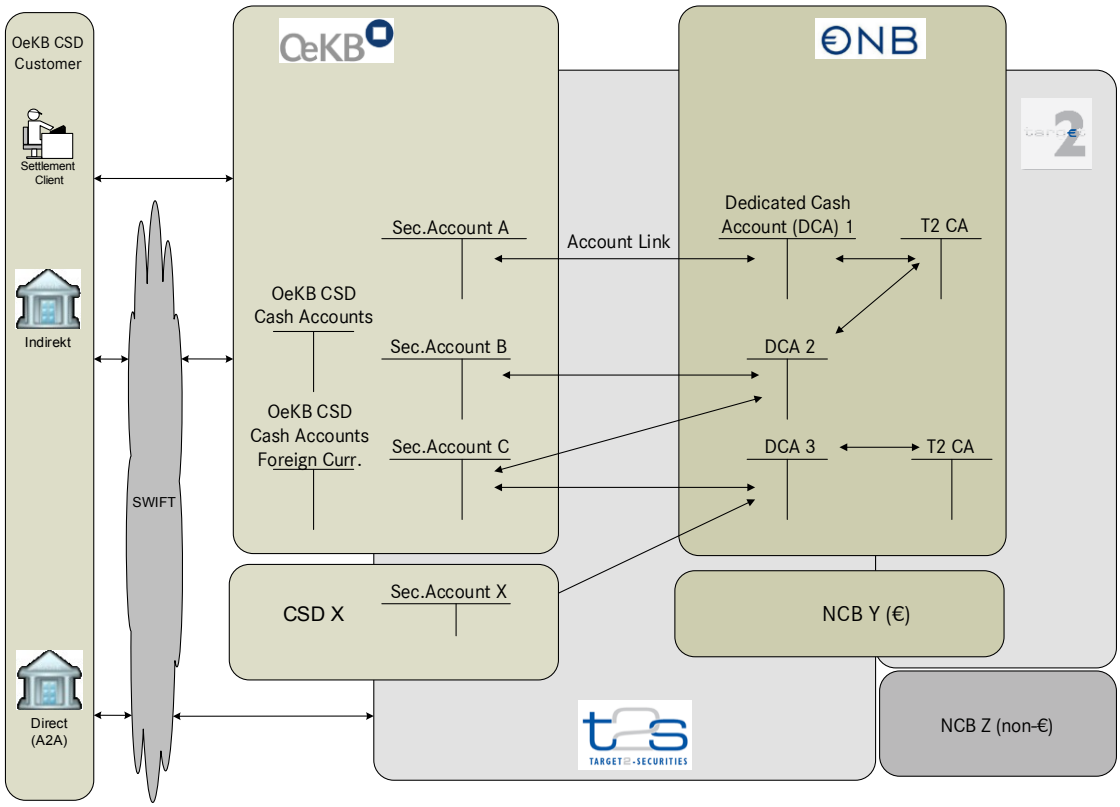


Figure 4: Securities account and cash account structure overview

The European Settlement System T2S supports securities settlement in EUR and in currencies of central banks which are signatories of the Currency Participation Agreement (at present this only applies to the Danish Krone [DKK] as of 2018).

The DCAs are used for cash settlement related to DVP/RVP instructions, for the settlement in Euro of earnings and the like. Cash settlement and settlement of earnings in multicurrencies (non-T2S currencies) can only be processed on a commercial bank account held with OeKB AG (see chapter 8.2.10).

The DCA accounts are remunerated via TARGET2 (T2) accounts. The DCA account balances are set to zero at the end of the day. The desired cash coverage must be instructed daily on the DCAs, in order to be able to participate in the first settlement cycle - the night-time settlement. For details, please see the documentation provided by the Oesterreichische Nationalbank (OeNB).

7 Daily Processing

The daily processing comprises 5 periods, each containing several of the processes of a settlement day.

The indicated times are approximations, because the transitions between individual periods are triggered to make sure that one process has been completed before the next process starts.

Instructions can be sent to the OeKB CSD at any time. Instructions must be submitted with the intended settlement day specified, but without a specific settlement time. Settlement is done in batch-type processing cycles during night-time settlement and in real time during the day.

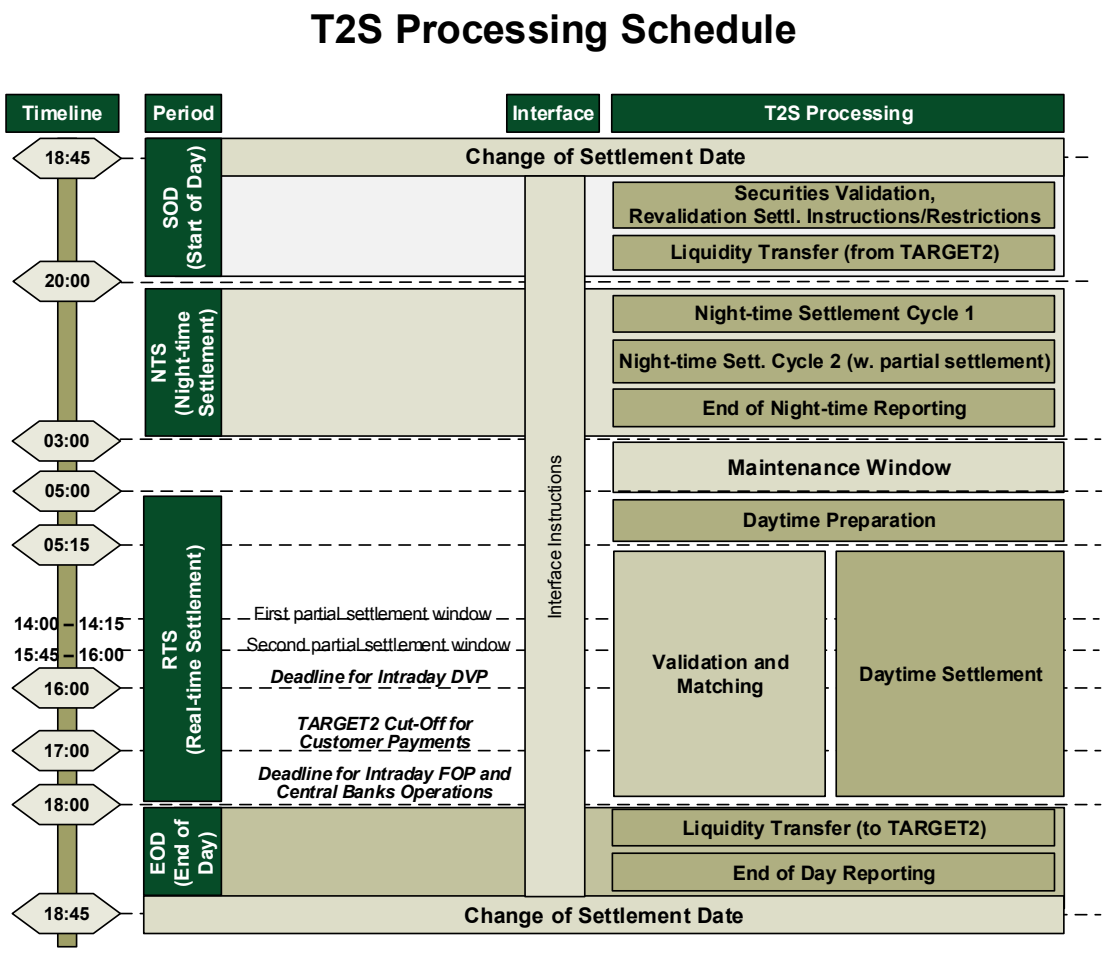


Figure 5: Daily processing of the settlement of securities

- Start of Day (SOD)

  A new settlement day begins at 6:45 p.m. of the previous day. The first step is the cash transfer from TARGET2 cash accounts to TARGET2-Securities cash accounts.

- Night-Time Settlement (NTS)

At 8 p.m. the settlement of instructions with the current T2S settlement day specified as the "intended settlement day" and of open instructions from previous settlement cycles begins. (Example: Monday night-time settlement is already carried out on the Friday before. Monday real-time settlement starts on Monday)

Night-time settlement takes place in two cycles, with each cycle split into several "sequences". There are specific types of instructions defined to be settled in each individual "sequence". For example, instructions from corporate actions are processed in earlier "sequences". Processing within the "sequences" is done in a form similar to batch processing.

There is no way for market participants to specify the cycle in which their instructions will be settled. This is determined by the type and priority of the instructions (e.g. instructions concerning corporate actions).

The second cycle includes a period in which partial settlements are processed (see chapter 8.1.3.2).

Status messages and settlement confirmations are sent on an ongoing basis during night-time settlement.

How long night-time settlement takes depends on the volume to be processed. If both cycles are completed before 3:00 a.m., real-time settlement is started even before the Maintenance Window (MWI).

- Maintenance Window (MWI)

  During the Maintenance Window there is no settlement in T2S. However, submitted instructions are accepted also during this time.

- Real-Time Settlement (RTS)

  Real-time settlement starts at about 5:15 a.m. If their specified settlement day is reached, new instructions are settled in real time. Partial settlement is permitted between 2:00-2:15 p.m. and between 3:45-4:00 p.m. (see chapter 8.1.3.2). T2S cut-off time for DVP transactions is at 4:00 p.m. T2S cut-off time for FOP transactions is at 6:00 p.m. If instructions are sent immediately before a T2S cut-off time, it cannot be guaranteed that they will be included on the current settlement day.

- End of Day (EOD)

  The EOD includes an automatic cash sweep (reversal of cash positions) from TARGET2-Securities back to TARGET2. For details, please see the documentation provided by the Oesterreichische Nationalbank (OeNB).

  Unmatched instructions are deleted after 20 bank working days.

  The final step of the end-of-day processing is End-of-Day Reporting.

8 Settlement – Securities Settlement

The following transaction types are used:

- Intra-CSD and cross-CSD settlement
- External-CSD settlement
- Special case: cross-CSD settlement with external-CSD settlement
- Physical
- Change Global Certificate (increase/decrease)
- Settlement restrictions

8.1 Intra-CSD and cross-CSD settlement

- Intra-CSD settlement

  Both counterparties are securities account holders with OeKB CSD

- Cross-CSD settlement

  One counterparty is securities account holder with OeKB CSD, the second counterparty holds a securities account with another CSD which is a T2S participant.

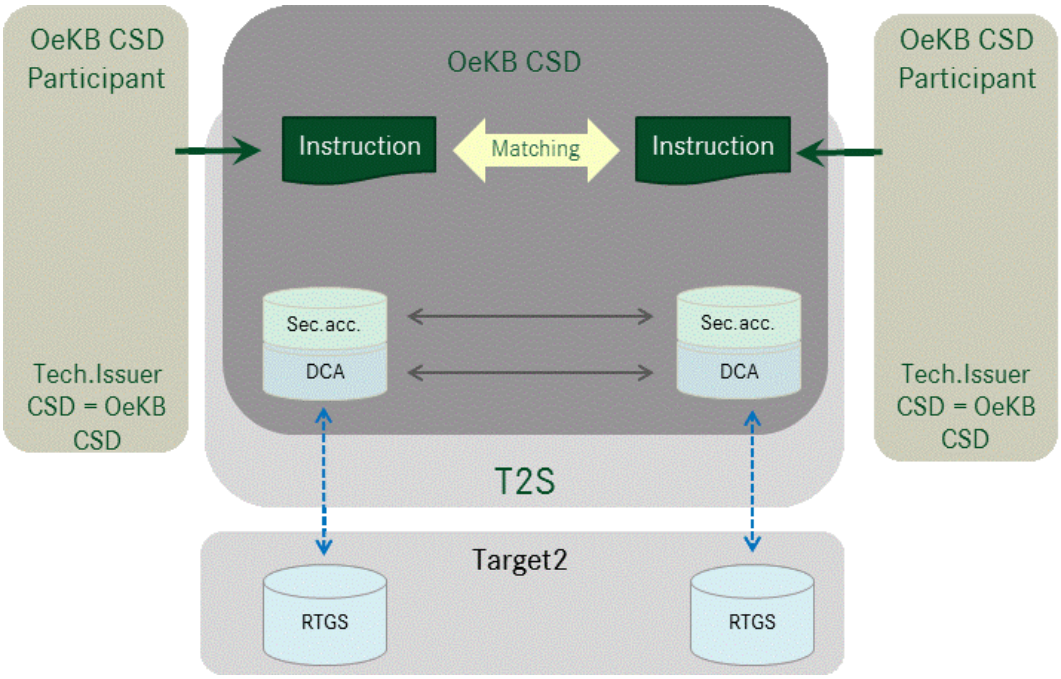


Figure 6: Settlement of an instruction between two OeKB CSD participants

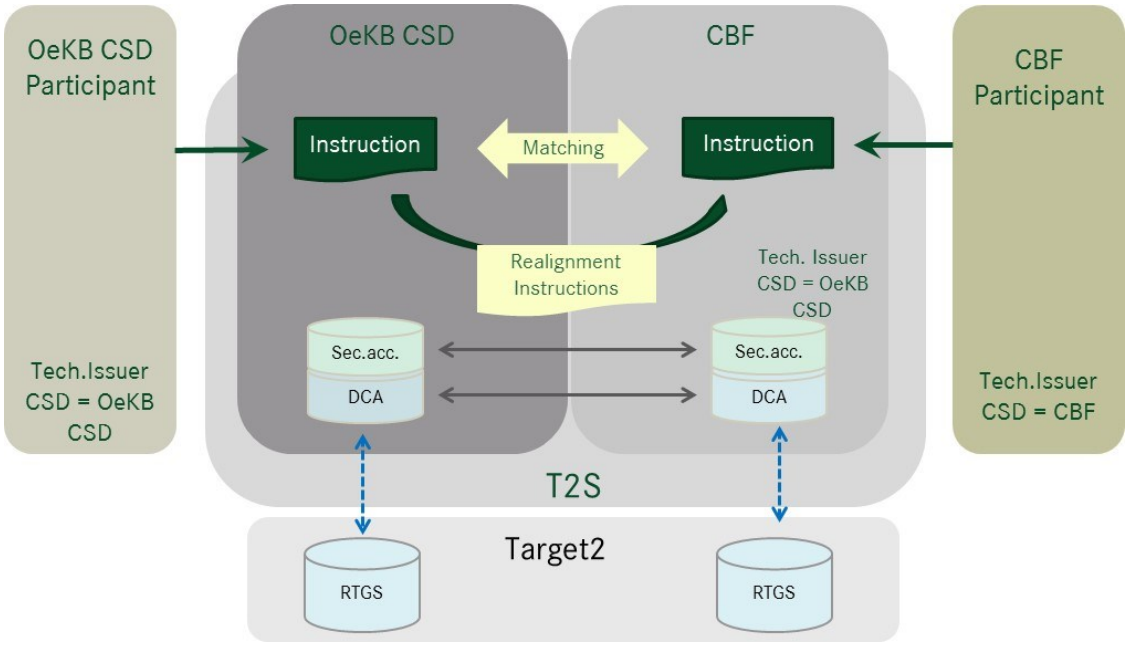


Figure 7: Settlement of an instruction between OeKB CSD participants and counterparties with another CSD

8.1.1 Instruction Types

The following instruction types are available:

- Delivery Free of Payment (FOP): Securities are delivered or received without payment
  - DFP (Delivery Free of Payment)
  - RFP (Receive Free of Payment)
- Delivery Versus Payment: Securities are delivered or received versus payment. The securities account must be linked with a T2S DCA.
  - DVP (Delivery versus Payment)
  - RVP (Receive versus Payment)
- Delivery With Payment: Securities are delivered or received together with payment The securities account must be linked with a T2S DCA.
  - DWP (Delivery With Payment)
  - RWP (Receive With Payment)
- Payment Free of Delivery (PFD): Payment is effected without securities being delivered or received. However, the instruction must contain an ISIN

8.1.2 Submitting of Instructions

Instructions for both, intra-CSD and cross-CSD settlement are submitted either via Settlement SWIFT (or T2S A2A) or via Settlement Client (for details see also chapter 4).

8.1.2.1 Instructions via SWIFT

The following SWIFT messages are used for the instruction types listed above:

Type	ISO 15022	ISO 20022	Payment Type Code	Securities Movement Type Code	Settlement Quantity	Settlement Amount	Credit/ Debit Code
RFP	MT540	sese.023	FREE	RECE	above zero	-	-
DFP	MT542	sese.023	FREE	DELI	above zero	-	-
RVP	MT541	sese.023	APMT	RECE	above zero	above zero	DBIT
DVP	MT543	sese.023	APMT	DELI	above zero	above zero	CRDT
RWP	MT541	sese.023	APMT	RECE	above zero	above zero[3]	CRDT
DWP	MT543	sese.023	APMT	DELI	above zero	above zero[4]	DBIT
PFD	MT541	sese.023	APMT	RECE	zero	above zero	DBIT
PFD	MT543	sese.023	APMT	DELI	zero	above zero	CRDT

Payment Type Code, Securities Movement Type Code and Credit Debit Code are only relevant for ISO 20022.

Specific content requirements for SWIFT messages are explicitly detailed in the *Settlement SWIFT Manual*.

[3] In ISO 15022 the settlement amount sign is reversed (SWIFT Code [N]).

[4] In ISO 15022 the settlement amount sign is reversed (SWIFT Code [N]).

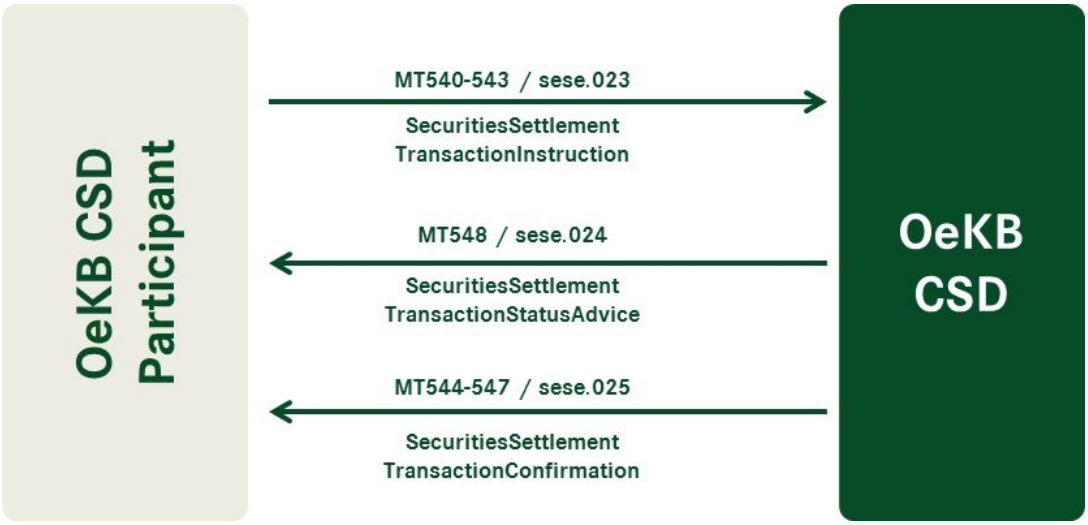


Figure 8: SWIFT message traffic between OeKB CSD participants and the OeKB CSD

8.1.2.2 Instructions via Settlement Client

Instructions can also be entered on the Settlement Client. Instructions are subjected to a check based on the 4-eyes principle according to the authorisations defined.

The checks based on the 4-eyes principle make sure that different persons enter and/or authorise an instruction. OeKB CSD participants can specify their own settings for the 4-eyes principle checks on the Settlement Client.

An instruction not released by the end of the day of input is automatically cancelled, if its settlement day has passed. As long as the settlement day is still in the future the instruction remains in the system and can be released until the settlement day at the latest.

For a detailed description of the Settlement Client, please refer to the *Settlement Client User Manual*.

8.1.3 Possible Characteristics of Instructions

8.1.3.1 Hold/Release (PREA/NEWM) Functionality

Basically, there are the following Hold statuses:

- Party Hold
- CSD Hold (only for OeKB CSD)
- CSD Validation Hold (only for OeKB CSD)
- CoSD Hold (only for OeKB CSD)

OeKB CSD participants can only set "Party Hold". The other status codes are displayed in status messages and are used by the OeKB CSD in special transactions.

The PREA/NEWM function will be replaced with Hold/Release in T2S. The PREA/NEWM function will remain available for submitting instructions in ISO 15022 format.

The system can set the status "Hold" automatically when the "Hold Release Default = yes" has been activated for the specified securities account in the Settlement Client.

Setting Status "Hold" When Submitting the Instruction

- For ISO 15022 Format (MT540-MT543) by means of PREA
- For ISO 20022 format (sese.023) with the setting "Party Hold Indicator = true"
- Settlement Client with the setting "Party Hold = Hold"

It is possible at any time to set a settlement instruction to "hold" manually on the Settlement Client or via Settlement SWIFT interface in order to prevent settlement as long as the instruction has not been settled or deleted. To enable settlement for the transaction it must be "released" specifically.

Modification of the Status Hold/Release

- First modification of NEWM in ISO 15022 (MT540-MT543)
- All later modifications in ISO 15022 (MT530) "YPRE Presented"/"NPRE Not Presented"
- ISO 20022 (sese.030)
- Settlement Client "Party Hold Indicator = true"/"Party Hold Indicator = false"

For the submitted modifications the sender receives an MT548 /sese.031 message (depending on the definitions in the message subscription) of one of the following types: "rejected", "accepted", "denied" or "executed". All details can also be accessed on the Settlement Client.

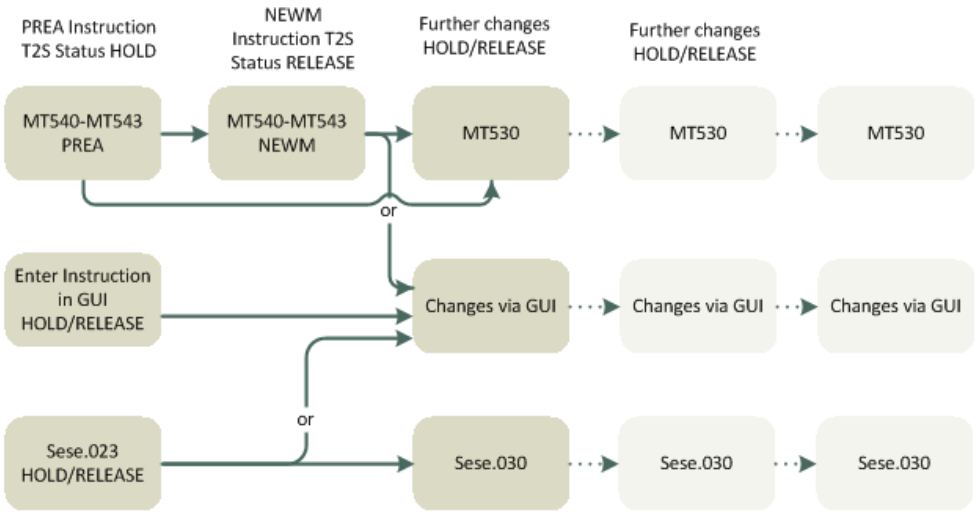


Figure 9: Hold & Release message process

8.1.3.2 Partial Settlement

Settlement instructions can be settled partially if the available quantity of units does not cover the transaction.

Prerequisites for partial settlement are:

- Partial settlement is not disallowed in either of the instructions involved.
- Partial settlements are processed in the specified settlement windows when they are permitted (see chapter 7)
- The predefined thresholds of T2S (Partial Settlement Threshold) concerning quantity or cash are observed
- The instructions are not linked to one another (After, Before, With or Pool) (see chapter 8.1.3.3)

For each partial settlement status messages and execution confirmations are created. The last execution confirmation contains the information that it is the "last partial settlement".

Setting the Partial Settlement Indicator

- ISO 15022 format (MT540-MT543)
- ISO 20022 format (sese.023)
- Settlement Client

Partial Settlement Indicators:

- NPAR (no partial settlement allowed)
- PART (partial settlement allowed)
- PARC (partial settlement allowed with cash threshold), only supported for ISO 20022 format
- PARC (partial settlement allowed with quantity threshold), only supported for ISO 20022 format

If no indicator is set in the instruction partial settlement is automatically permitted ICPs can have partial settlement deactivated for each OeKB CSD participant securities account individually (the default value "NPART" is set in this case) (see chapter 5.2).

First, an attempt is made to settle an instruction completely. If the instruction cannot be settled completely the system checks whether partial settlement is possible (based on the criteria described above).

Then the system tries to settle as much as possible of the instructed quantity, which depends on:

- The quantity of units available on the securities account of the seller
- The cash amount available on the associated T2S cash account
- The predefined threshold values (for quantities and cash amounts)

The open part of a partially settled instruction remains on status "pending" until:

- Another partial settlement is executed
- The instruction has been settled completely
- The open part of the instruction has been cancelled

Modification of the Partial Settlement Indicator

The Partial Settlement Indicator can be modified with an instruction MT530/sese.030.

8.1.3.3 Linking of Instructions

It is possible to link settlement instructions and settlement restrictions to one another.

The following linkages are possible:

- AFTER: Settlement after or simultaneously with the linked-to instruction
- BEFORE: Settlement before or simultaneously with the linked-to instruction
- WITH: Settlement in conjunction with the linked-to instruction
- INFO: used only for information purposes (within the T2S system)

The following message types can be linked:

- Instructions
- Restrictions
- An instruction with a restriction

It is not possible to link:

- A liquidity transfer with a settlement instruction or with a settlement restriction
- Settlement instructions generated internally by T2S

For linked instructions (After, Before, With or Pool) partial settlement is not possible.

T2S automatically links instructions e.g. for realignments, auto-collateralisation messages ("INFO").

Setting a Linkage

- ISO 15022 format (MT540-MT543)
- ISO 20022 format (sese.023)
- Settlement Client

In order to be able to link settlement instructions or settlement restrictions, the instruction must contain the following parameters:

- The corresponding position code (e. g. WITH, BEFO,...)
- The reference number of the instruction to be linked and the T2S instruction reference or the T2S participant instruction reference

- If the T2S participant instruction reference is provided, T2S additionally requires the Reference Owner BIC of the instruction to be linked (Instructing Party BIC). In ISO 15022 messages the OeKB CSD sets this field. If this field is not provided, the instruction will be rejected.

Examples for sending "Linked Instructions":

Link Processing Position	Linked Instruction Ref.		Reference Owner BIC	Validation
	T2S Instruction Ref.	T2S Actor Instruction Ref.	Instructing Party BIC	
WITH	500543212			✓
AFTE		44454321		×
AFTE		44454321	BANKITRR666	✓
	87654321			×

Modification of a Linkage

There are two steps required to modify a linkage between two or several instructions (e.g. from WITH to BEFO):

The original instruction must be "unlinked". I.e. a modification instruction must be sent including the linkage type "UNLK" and the same position code as the original instruction (e. g. "WITH"). This suspends the links referenced in the instruction in question.

Then another modification instruction must be sent including the linkage type "LINK" and the new position code (e. g. "BEFO").

It is possible for a settlement instruction or a settlement restriction to include several "links" (e. g. a settlement instruction is linked to a settlement restriction using "WITH" and with another settlement instruction using "AFTE").

Adding a New Linkage to a Settlement Instruction/Settlement Restriction

A T2S participant sends a modification instruction with the corresponding position code (e.g. WITH, AFTE,...) and the reference of the linked instruction. If the instruction does not include these fields or the existing linkage contradicts the new linkage, the modification instruction will be rejected.

Linking of Several Instructions

A "pool reference" can be used to link more than two instructions. A collective reference must be assigned to the settlement instructions or settlement restrictions that shall be linked in this way. This reference number must be included in all linked instructions of the same pool. As soon as a pool reference has been assigned to an instruction, the position code can be either set to "WITH" or be left empty. All instructions included in a "pool reference" will be settled on an "all-or-none" basis.

Instructions with a pool reference must include a pool counter indicating the total number of linked instructions. T2S rejects instructions which exceed the total number of linked instructions for a pool reference.

To add a pool reference to an instruction or to modify the pool counter of an instruction, the instruction must be cancelled and sent new.

8.1.3.4 Prioritising of Instructions

OeKB CSD participants can choose one from two possible priority settings:

- High Priority
- Normal Priority

Setting a Priority

The priority setting is directly included in the instruction:

- ISO 15022 format (MT540-MT543)
- ISO 20022 format (sese.023)
- Settlement Client

Instructions are processed with the following sequence being observed:

- Higher priority before lower priority
- Earlier before later intended settlement day (ISD) (if priorities are identical)

For settlement instructions sent on the settlement day priorities cannot be considered in real-time settlement.

Modification of a Priority

A instruction MT530/sese.030 can be used to modify the priority or the modification can be entered directly on the Settlement Client.

8.1.4 Validation of Instructions

All messages are validated. This applies to messages for instructions submitted on the Settlement Client and for instructions sent via Settlement SWIFT interface.

For details on validation rules, please refer to the *Settlement Client User Manual* and the *Settlement SWIFT Manual*. Additional validations are carried out in the T2S System.

8.1.5 Settlement Allegement

Allegement notifications are sent to the counterparty if an instruction could not be matched in the first matching attempt.

- Settlement Allegement (MT578/sese.028)

Allegement notifications are sent after the "standard delay period" has elapsed or at least by the "before cut-off" time.

- Standard delay period = 1 hour after the first matching attempt
- Before cut-off = 5 hours prior to the settlement day's cut-off time. This period is calculated from the settlement day backwards. This should prevent allegements to be sent too closely before the settlement day.

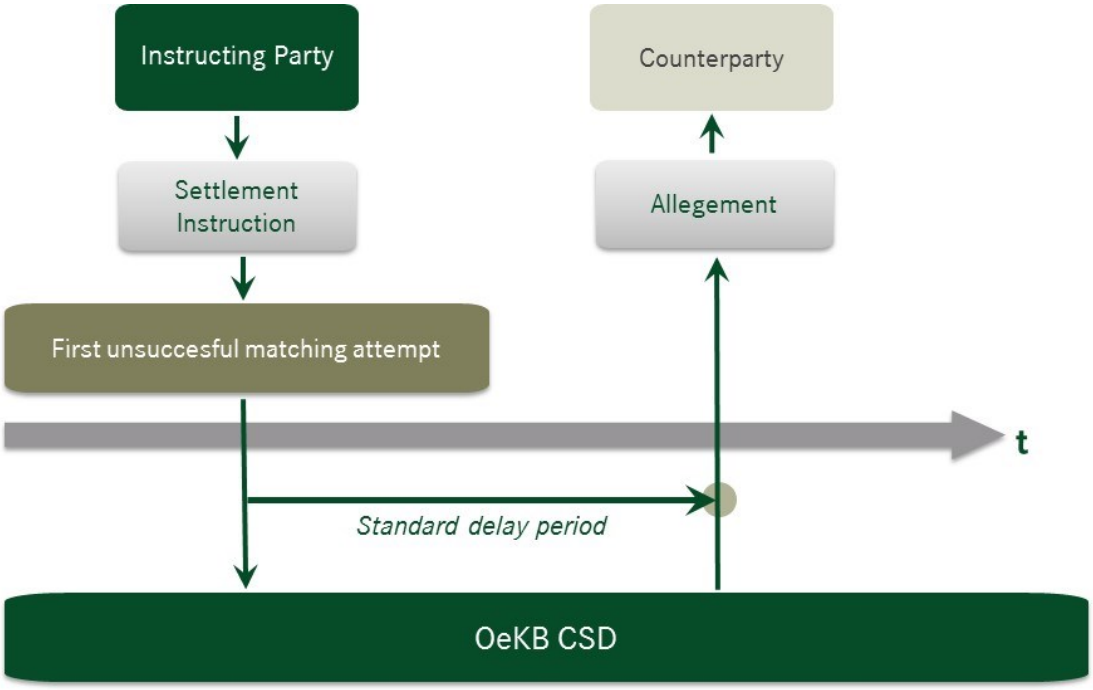


Figure 10: Standard delay period

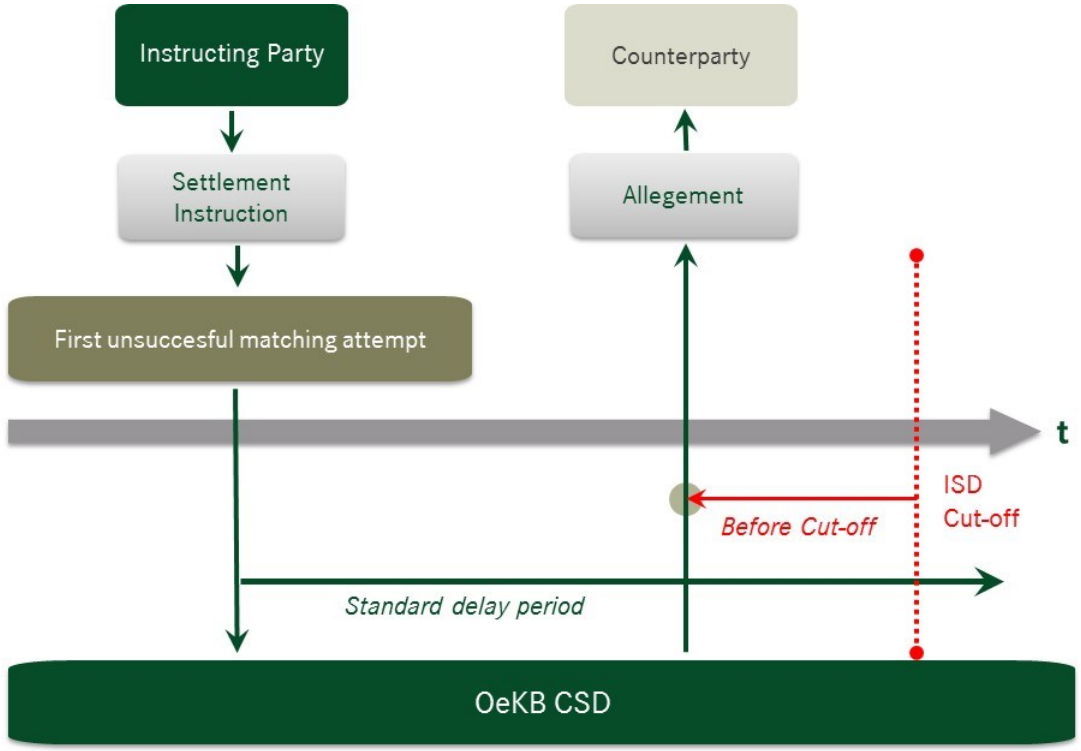


Figure 11: Before cut-off period

Therefore, if an instruction is sent within five hours before cut-off time, the allegement is created immediately.

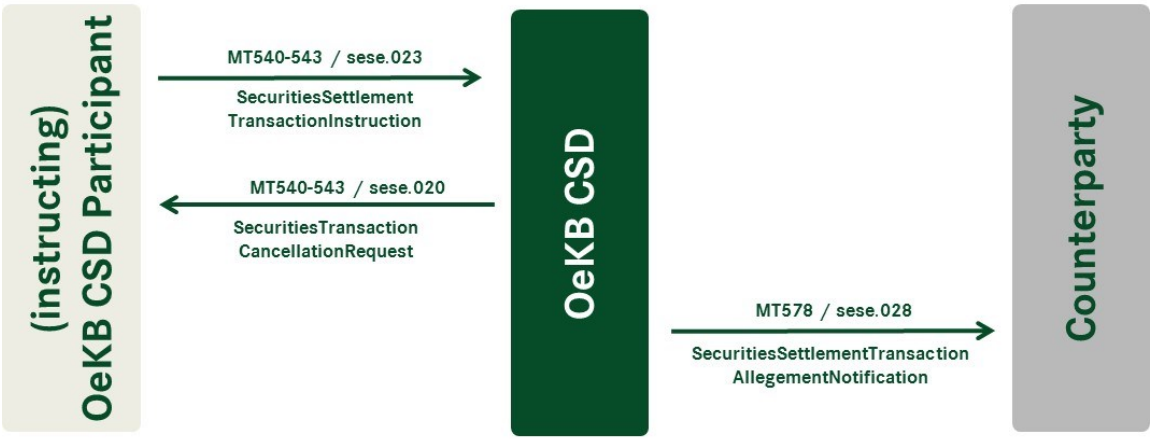


Figure 12: Exchange of instructions - Settlement allegement

OeKB CSD participants can display instructions relating to them, which were created by another OeKB CSD participant even before the allegement is received in the Settlement Client and generate a counterparty instruction right away.

Other allegement messages:

- Cancellation of an Allegement Message (MT578/semt.020) – sent if the original instruction of the counterparty has been cancelled
- Removal of an Allegement Message (MT578/sese.029) – sent if the own instruction was successfully matched with the instruction of the counterparty
- Cancellation Allegement (MT548/sese.024) – sent if the counterparty submits an instruction to cancel a matched instruction (cancellation request)

8.1.6 Matching of Instructions

The matching process combines corresponding instructions into a transaction.

Matching is effected based on:

- Mandatory matching fields
- Additional matching fields
- Optional matching fields

8.1.6.1 Mandatory Matching Fields

The mandatory matching fields are those fields for which it is compulsory to correspond for the individual instruction types DVP, DWP or FOP (see chapter 8.1.1).

The following table lists the mandatory matching fields for each instruction type.

DVP/DWP	FOP
Payment Type Code	Payment Type Code
Securities Movement Type	Securities Movement Type
Intended Settlement Date	Intended Settlement Date
Trade Date	Trade Date
Settlement Quantity	Settlement Quantity
ISIN Code	ISIN Code
Delivering Party BIC Code	Delivering Party BIC Code
Receiving Party BIC Code	Receiving Party BIC Code
Delivering CSD BIC Code	Delivering CSD BIC Code

DVP/DWP	FOP
Receiving CSD BIC Code	Receiving CSD BIC Code
Currency	-
Settlement Amount	-
CREDIT/DEBIT Code	-

8.1.6.2 Additional Matching Fields

Additional matching fields become mandatory matching fields if one of the instructions contains values in the following fields:

DVP	FOP
Opt-out ISO transaction condition indicator	Opt-out ISO transaction condition indicator
Ex/Cum ISO transaction condition indicator	Ex/Cum ISO transaction condition indicator

Matching scenarios for the opt-out indicator are:

Deliverer's Instruction	Receiver's Instruction	Matching Process
Blank	Blank	Matching
Opt-out	Blank	No matching
Blank	Opt-out	No matching
Opt-out	Opt-out	Matching

Possible scenarios for the Ex/Cum indicator are:

Deliverer's Instruction	Receiver's Instruction	Matching Process
blank	blank	matching
Ex	Ex	matching
Ex	blank	No matching
blank	Ex	No matching
Cum	Ex	No matching

Ex	Cum	No matching
Cum	Cum	matching
Cum	blank	No matching
blank	Cum	No matching

8.1.6.3 Optional matching fields

Optional matching fields become mandatory matching fields if both of the instructions contain values in the following fields:

If only one instruction shows values in these fields but not the counterparty instruction, this field is not a mandatory matching field.

DVP/FOP
Common Trade Reference
Client of delivering CSD participant
Client of receiving CSD participant
T2S securities account number of the delivering party
T2S securities account number of the receiving party

8.1.6.4 Matching Tolerances

Instructions are matched according to the amount of the settlement cash value, with the following matching tolerances considered (only for settlement in EUR):

- ≤ EUR 100,000 = EUR 2
- > EUR 100,000 = EUR 25

8.1.6.5 Matching Process

It is always the instructions with the smallest difference in cash amounts which are matched with one another.

If there are several instructions with identical amount differences, the instructions with the smallest entry time difference are matched.

Matching is always carried out within the tolerance limits based on the sellers settlement amount submitted by the deliverer.

If there are instructions which could not be matched with a counterparty instruction after this first matching attempt, the system creates allegement messages to the counterparty for these instructions.

8.1.7 Auto receive

For FOP receive instructions, the OeKB CSD offers ICPs an "Auto Receive" functionality. This functionality allows OeKB CSD participants to decide whether an automatic counterparty instruction should be generated for the instructions of counterparties and for own account transfers.

These parameters are defined on a OeKB CSD participant level.

- Own account transfer settings on a OeKB CSD participant level
- Counterparty delivery settings on a securities account level

Auto receive is triggered by an allegement.

If a OeKB CSD participant did not activate auto receive, the allegement notification is forwarded to the participant.

If a OeKB CSD participant did activate auto receive, an automatic counterparty instruction is generated. No allegement message is sent to the customer.
As soon as the instruction has been settled, a confirmation is generated and sent to the OeKB CSD participant via Settlement SWIFT interface. The confirmation can also be accessed on the Settlement Client.

8.1.8 Modification of Instructions

Instructions can be modified either via Settlement SWIFT interface (or T2S A2A) or on the Settlement Client (or T2S U2A).

- ISO 15022 (MT530)
- ISO 20022 (sese.030)
- Settlement Client (or T2S U2A)

It is possible to modify the following indicators for an instruction:

- Hold/Release Indicator
- Partial Settlement Indicator
- Linkages
- Priority

In the case of partially settled instructions only the "priority" of the part still open can be modified.

Only one indicator can be modified in a single modification instruction.

To modify other fields of an instruction the instruction must be cancelled and a new instruction must be sent.

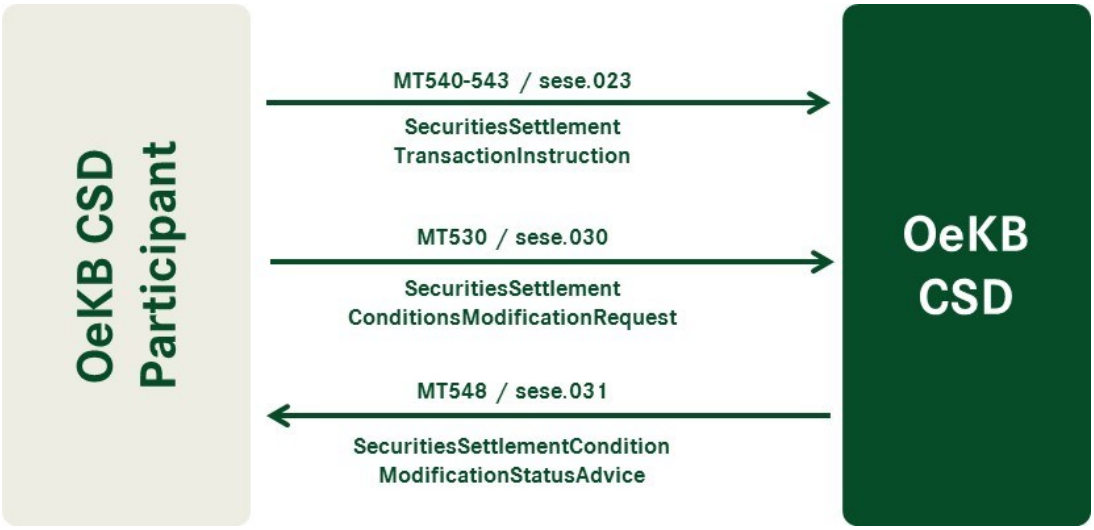


Figure 13: Instruction exchange - Modification of an instruction

8.1.9 Cancellation of Instructions

8.1.9.1 Cancellation by the OeKB CSD Participant

OeKB CSD participants can cancel their instructions unilaterally, as long as they have not been successfully matched. If they are already matched but not finally settled, a bilateral cancellation is necessary. In this case, both counterparties must cancel their own instructions.

Instructions can be cancelled on the Settlement Client (or T2S U2A) or via Settlement SWIFT interface (or T2S A2A).

- ISO 15022 (MT540-MT543)
- ISO 20022 (sese.020)
- Settlement Client (or T2S U2A)

OeKB CSD participants can access cancellation messages on the Settlement Client or set the message subscription to receive them via Settlement SWIFT interface.

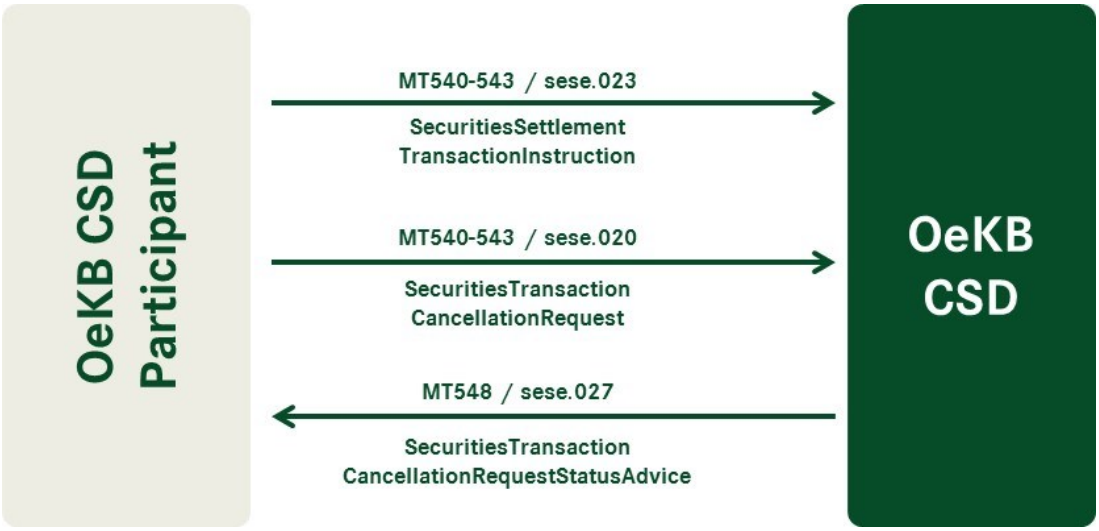


Figure 14: Instruction exchange - Cancellation of an instruction

8.1.9.2 Cancellation by System

Settlement instructions are recycled in the end-of-day processing. All message types with status "unmatched" which have reached their final recycling day are deleted.

Recycling Periods:

- Unmatched instructions are cancelled after 20 bank working days
- Matched instructions remain in the system for an unlimited amount of time

OeKB CSD participants can access cancellation messages on the Settlement Client or set the message subscription to receive them via Settlement SWIFT interface.

8.1.10 Multicurrency Settlement

Multicurrency settlement is only possible for intra-CSD settlement and external-CSD settlement. Cross-CSD Settlement (incl. special case as described in chapter 8.3) can only be carried out in EUR.

The OeKB CSD Settlement Services offer the settlement of multicurrency instructions to ICPs in the following currencies: CHF, GBP, USD and RUB.

In case of settlement instructions in a multicurrency cash settlement is carried out on multicurrency accounts (commercial bank cash accounts) held with OeKB. For this purpose, a OeKB CSD participant requires one or several multicurrency accounts. (At present, only one multicurrency account is possible for each currency.)

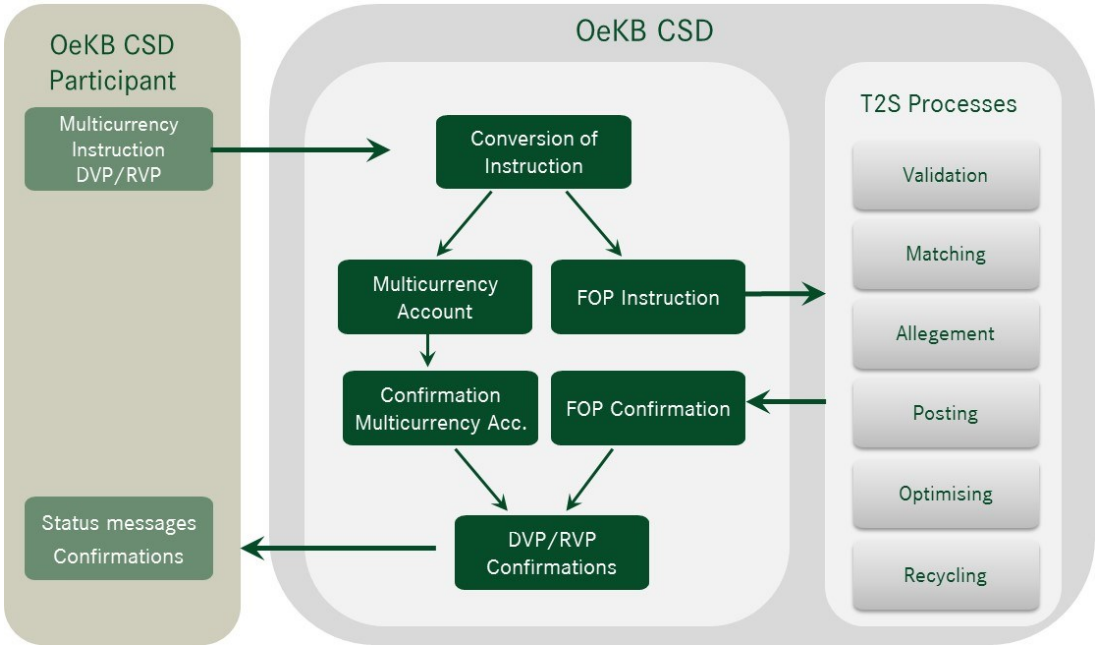


Figure 15: Multicurrency settlement

A OeKB CSD participant sends a DVP instruction via Settlement SWIFT interface or enters the instruction on the Settlement Client. In this case, the OeKB CSD participant must not use the field "Common Reference" (optional matching field) in the settlement instruction, because the OeKB CSD uses this field to specify the currency and the multicurrency amount. This is done to ensure that the FOP instructions will be matched with certainty. The system overwrites any values contained in this field. A comprehensive description is available in the *Settlement SWIFT Manual* and in the *Settlement Client User Manual*.

If the currency is either CHF, GBP, USD or RUB, the instruction is split into a FOP settlement instruction and a payment order.

Communication with the OeKB CSD participant takes place in the form of DVP/RVP instruction types.

There is no matching tolerance range for multicurrency instructions. There are no overdraft limits on the multicurrency accounts. If settlement on the multicurrency accounts cannot be effected, e. g. because of insufficient coverage, the OeKB CSD participant receives the corresponding status message as SWIFT message and can display it on the Settlement Client (reason code: MONY).

8.1.11 Settlement of Instructions

On the settlement day all matched instructions are subjected to the settlement process.

Settlement Process

The settlement process includes several checks and verifications:

- Existing restrictions (hold status, intra-day restrictions, blockings)

- Available positions on the securities account
- Available cash amount on the DCA (Dedicated Cash Account)
- Priorities
- Linked instructions
- Partial Settlement Indicator
- Realignments ("line of depositories involved") in case of cross-CSD and external-CSD settlement

Depending on the result of the checks and verifications the instructions can receive one of the statuses "settled, "unsettled" or "partial settled".

If the checks and verifications could not be concluded with any positive result, the instruction receives the status "unsettled".

Possible reasons are:

- The securities account is blocked – BLOC (Account Blocked)
- The securities positions are blocked – SBLO (Securities Blocked)
- The instruction has status "Party Hold" – PREA (Your Instruction on Hold)
- The instruction of the counterparty has a "Hold" status – PRCY (Counterparty Instruction on Hold)
- The coverage on the securities account is insufficient - LACK (Lack of Securities)
- The coverage on the cash account is insufficient - MONY (Insufficient Money)

For a complete list of all reason codes, please refer to the *Settlement SWIFT Manual*.

With insufficient coverage on the cash account but auto-collateralisation permitted the instruction can be settled (see chapter 11).

If all checks and verifications have been concluded with a positive result, the instructions are processed and receive status "settled". The corresponding bookings on the securities account and on the DCA are effected.

If an instruction cannot be settled completely due to lacking coverage and partial settlement is allowed, the instruction is settled in part. The instruction receives status "partial settled".

Depending on the relevant message subscriptions, all status messages (MT548/sese.024) and settlement confirmations (MT544-MT547/sese.025) are sent to the OeKB CSD participant via SWIFT or can be accessed on the Settlement Client.

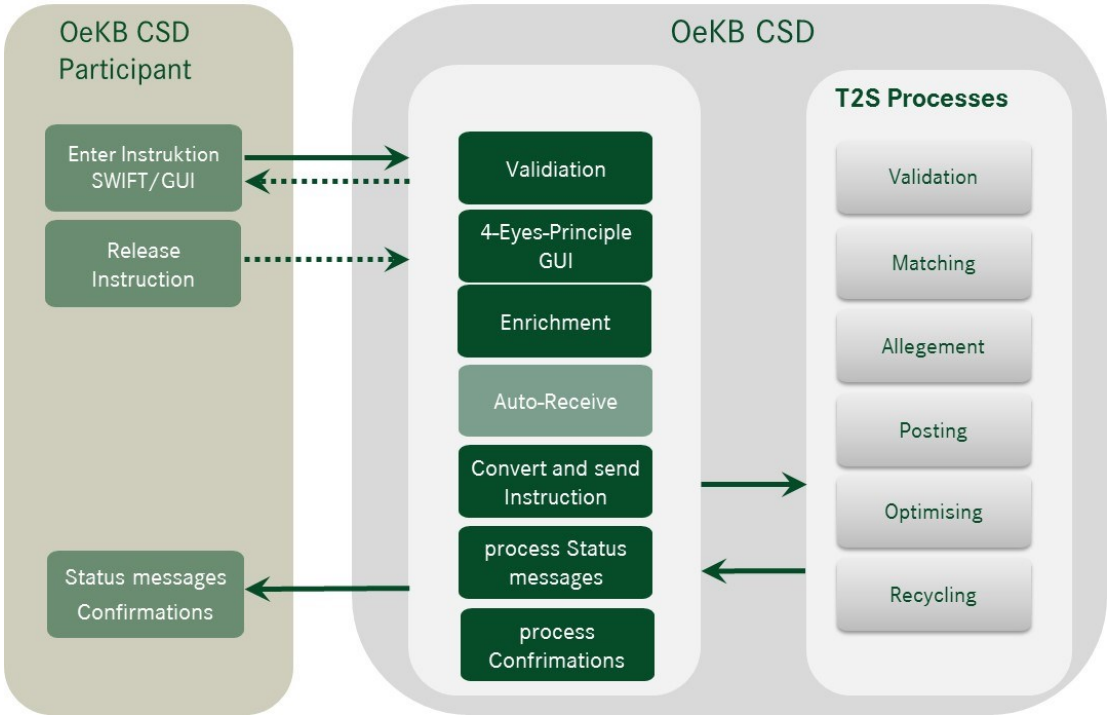


Figure 16: Instruction submission of an ICP to the OeKB CSD

Recycling Process

At the end of each day all non-settled but matched ("pending") instructions pass a recycling process. The recycling process governs the automatic cancellation of instructions. There are two recycling periods defined:

- Unmatched instructions are cancelled after 20 bank working days
- Matched instructions remain in the system for an unlimited amount of time

See also chapter 8.1.9.2

8.2 External-CSD Settlement

For these transactions the OeKB CSD introduces positions in T2S which are held by an external depository ((I)CSD or custodian not participating in T2S). The counterparty of the OeKB CSD participant is a customer of an external depository. Settlement and bookings take place within T2S, but the submittal of instructions and the settlement process as such take place at the external depository, because there the T2S is not in use.

All external depositories where the OeKB CSD holds securities accounts on behalf of its customers are listed on the OeKB CSD website (*http://www.oekb.at/en/capital-market/csd/settlement/pages/external.aspx*).

The following chapters describe the communication between the OeKB CSD participants and the OeKB CSD Settlement Services with consideration of the common practice of the corresponding external depository.

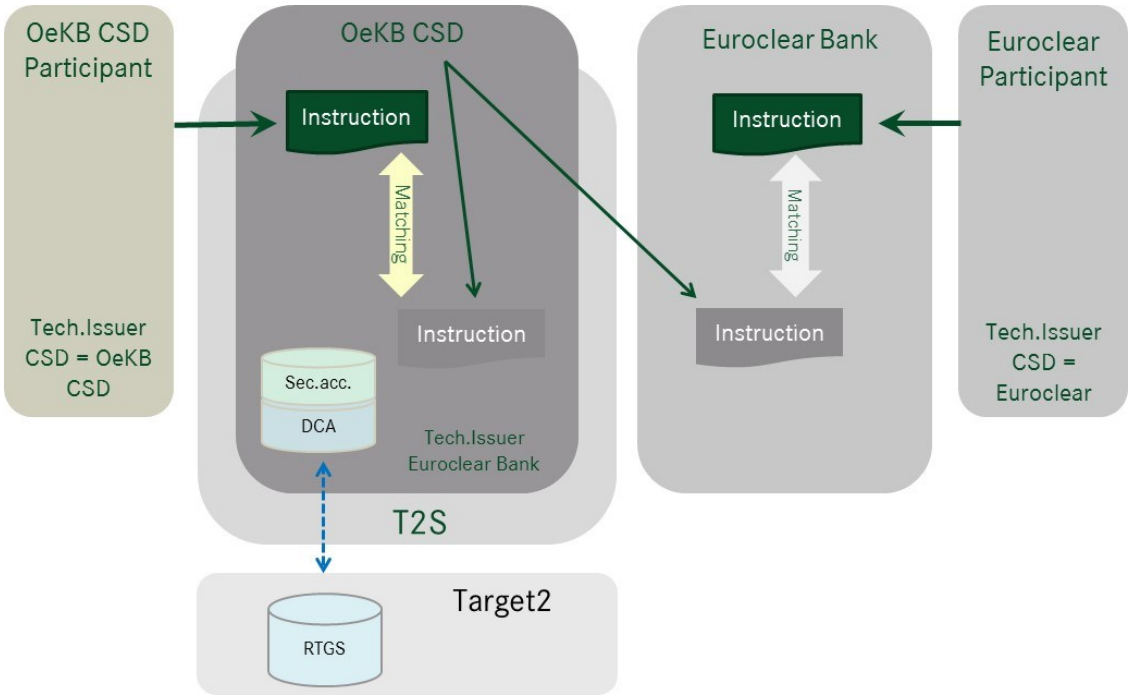


Figure 17: Settlement of an instruction with external depository

8.2.1 Instruction Types

Depending on the common practice of the external depository, settlement of the transaction type External-CSD can be executed free of payment or versus payment.

- Delivery Free of Payment (FOP): Securities are delivered or received without payment
  - DFP (Delivery Free of Payment)
  - RFP (Receive Free of Payment)
- Delivery Versus Payment: Securities are delivered or received versus payment. The securities account must be linked with a T2S DCA.
  - DVP (Delivery versus Payment)
  - RVP (Receive versus Payment)

8.2.2 Submitting of Instructions

Instructions are submitted either via Settlement SWIFT interface or via the Settlement Client. It is essential for this transaction type that - as opposed to intra-CSD and cross-CSD settlement - the

securities account must be specified for the receiving/delivering agent. For specification details, please refer to the *Settlement SWIFT Manual* and the *Settlement Client User Manual*.

Instructions via SWIFT

The following SWIFT messages are used for the instruction types listed above:

Inst. Type	ISO 15022	ISO 20022	Payment Type Code	Securities Movement Type Code	Settlement Quantity	Settlement Amount	Credit/ Debit Code
RFP	MT540	sese.023	FREE	RECE	above zero	-	-
DFP	MT542	sese.023	FREE	DELI	above zero	-	-
RVP	MT541	sese.023	APMT	RECE	above zero	above zero	DBIT
DVP	MT543	sese.023	APMT	DELI	above zero	above zero	CRDT

Payment Type Code, Securities Movement Type Code and Credit Debit Code are only relevant for ISO 20022.

Specific content requirements for SWIFT messages are explicitly detailed in the *Settlement SWIFT Manual*.

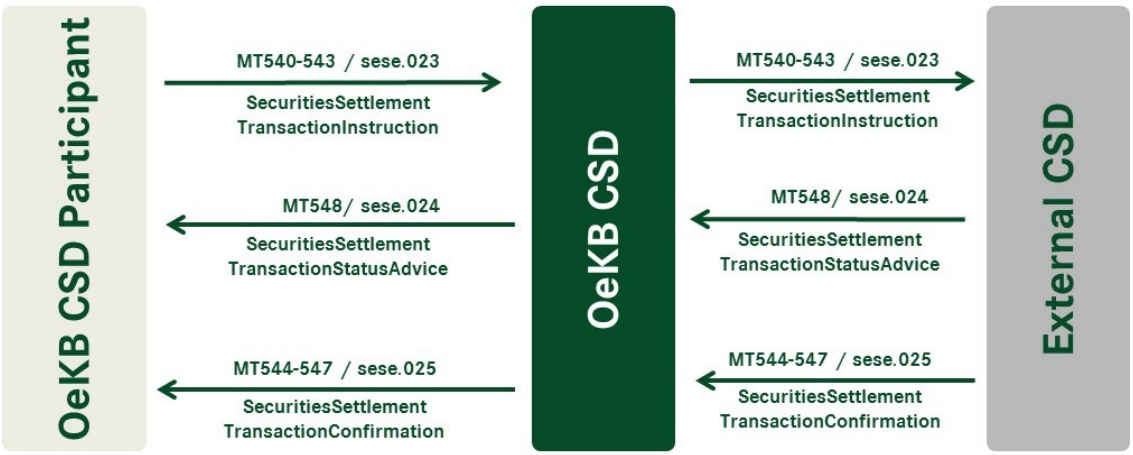


Figure 18: Instruction exchange between OeKB CSD participant, CSD and external CSD

Instructions via Settlement Client

Instructions can also be entered on the Settlement Client, in the same ways as it is the case for intra-CSD and cross-CSD settlement.

For a detailed description of the Settlement Client, please refer to the *Settlement Client User Manual*.

8.2.3 Possible Characteristics of Instructions

8.2.3.1 Hold/Release (PREA/NEWM) Functionality

The Hold/Release functionality can be used in the same way as for intra-CSD and cross-CSD settlement (see chapter 8.1.3.1), however, it depends on the possibilities supported by the external depository.

Basically, there are the following models:

- For external depositories offering the PREA (Preadvices) option, the system in a first step forwards a OeKB CSD participant's NEWM message to the external depository as a preadvice. This allows immediate matching. Only shortly before the settlement run at the external depository will take place the OeKB CSD Settlement Services perform the coverage checks and release the actual instruction.
- For external depositories, who do not offer the option of a PREA (Preadvices), the OeKB CSD Settlement Services will include a table of the times for each external depository when to forward the NEWM message. The times will be set in such way as to allow matching to take place in time whilst keeping the blocking period as short as possible.

8.2.3.2 Partial Settlement

Partial settlement is not possible for external-CSD settlement.

8.2.3.3 Linking of Instructions

Linking of instructions is not possible for external-CSD settlement.

8.2.3.4 Prioritising of Instructions

Prioritising of instructions is not possible for external-CSD settlement.

8.2.3.5 External-CSD Settlement Process

The OeKB CSD Settlement Services include a table where each security is associated with a certain depository. The system therefore automatically knows by checking the security given in the settlement instruction whether an external depository is involved and which.

Settlement instructions involving external depositories are processed in two steps in the OeKB CSD Settlement Services:

- Processing of the settlement instruction of the OeKB CSD participant
- Submittal of the instruction at the external depository

Depending on the instruction type, the involved positions or the cash amount is blocked until settlement at the external depository has been completed. The OeKB CSD Settlement Services attempt to carry out the blocking of securities and the reservation of the cash amount at the latest possible time in order to keep the blocking/reservation time as short as possible. For external depositories offering the PREA (Preadvices) option the blocking is executed on the Intended Settlement Day (see also chapter 8.2.3.1).

The instruction of the OeKB CSD participant can be settled only after settlement at the external depository has been confirmed. The OeKB CSD Settlement Services process the instruction's status codes according to the information received from the external depository and from T2S and forward this status information to the OeKB CSD participant.

The status codes of the instruction are displayed on the Settlement Client, or reported to the OeKB CSD participant via SWIFT MT548/sese.024.

The time line of the process largely depends on the system used by the external depository.

8.2.4 Validation of Instructions

All messages are validated. This applies to messages for instructions submitted on the Settlement Client and for instructions sent via Settlement SWIFT interface.

For details on validation rules governing the OeKB CSD Settlement Services, please refer to the *Settlement Client User Manual*. For details on validation rules governing SWIFT message, please refer to the *Settlement SWIFT Manual*.

8.2.5 Settlement Allegement

Whether allegement messages are sent depends on the common practice of the external depository. If the external depository sends an allegement, it is forwarded to the OeKB CSD participant, provided that an identification of the customer is possible.

8.2.6 Matching of Instructions

Basically the same matching rules as for intra-CSD and cross-CSD settlement apply also to external-CSD settlement (see chapter 8.1.6). Additionally, it also depends on the common practice of the external depository whether matching is possible.

8.2.7 Auto receive

Auto receive is never possible for external-CSD settlement. Some external depositories, however, require no matching for FOP instructions. In this case the positions are booked without a counterparty instruction.

8.2.8 Modification of Instructions

Whether it is possible to modify instructions depends on the common practice of the external depository.

Instructions can be modified either via Settlement SWIFT interface or on the Settlement Client.

- ISO 15022 (MT530)
- ISO 20022 (sese.030)
- Settlement Client

It is possible to modify the following indicators for an instruction:

- Hold/Release Indicator

To modify other fields of an instruction the instruction must be cancelled and a new instruction must be sent.

8.2.9 Cancellation of Instructions

Cancellation by the OeKB CSD Participant

The possibilities of cancelling instructions depend on the common practice of the external depository. OeKB CSD participants can cancel their instructions, as long as settlement at the external depository has not been reported or if cancellation is permitted.

Instructions can be cancelled on the Settlement Client or via Settlement SWIFT interface.

- ISO 15022 (MT540-MT543)
- ISO 20022 (sese.020)
- Settlement Client

Cancellation by System

The possibilities of cancelling instructions by the system depend on the common practice of the external depository.

OeKB CSD participants can access cancellation messages on the Settlement Client or set the message subscription to receive them via Settlement SWIFT interface.

8.2.10 Multicurrency Settlement

Multicurrency transactions with external-CSD settlement are handled in the same way as in intra-CSD settlement (see chapter 8.1.10).

8.2.11 Settlement of Instructions

Basically, settlement of external-CSD settlement instructions is carried out much in the same ways as intra-CSD and cross-CSD settlement (see chapter 8.1.11), considering the limitations for certain functionalities as described in the previous chapters (no partial settlement, ...) and the common practice of the external depository.

8.3 Special case: cross-CSD settlement with external-CSD settlement

In this transaction type both CSDs are connected to T2S, but the depositories of both CSDs (of both counterparties) are not participating in T2S (external depository).

For the OeKB CSD participant, submittal and settlement of the settlement instructions for these transactions is carried out in the same way as is the case for cross-CSD settlement (exception: DCP; see chapter 4). Additionally, the external depository carries out a realignment for the securities accounts of the CSDs.

This realignment is generated automatically and only relevant for the OeKB CSD participant in so far as final settlement takes place only after the realignment has been executed. During that time it is necessary to temporarily block the positions to be transferred.

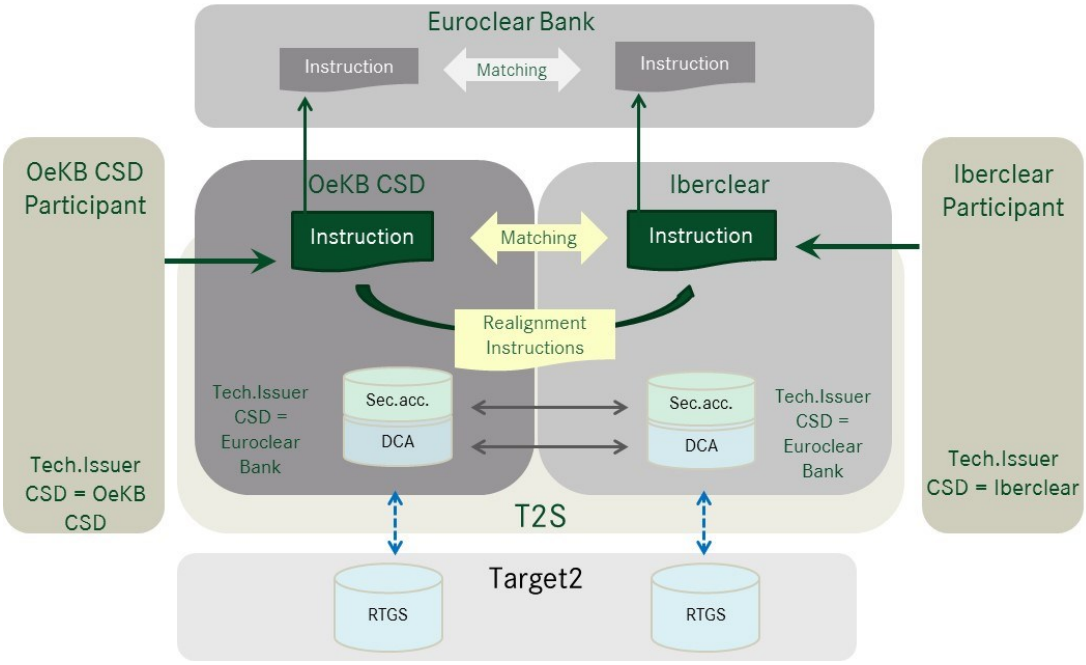


Figure 19: Settlement of an instruction with external depository

8.4 Physical – Physical Deposit or Withdrawal of Securities

The transaction type Physical supports the physical withdrawal and deposit of securities in the vault of OeKB CSD.

Instruktion Type	ISO 15022		ISO 20022		
Physical	MT540	22F: STCO/PHYS	sese.023	FREE/ RECE	<SttlmTxCond> PHYS
Physical	MT542	22F: STCO/PHYS	sese.023	FREE/ DELI	<SttlmTxCond> PHYS

For instructions submitted via the Settlement Client OeKB CSD participants can specify the settings for the checks based on the 4-eyes principle.

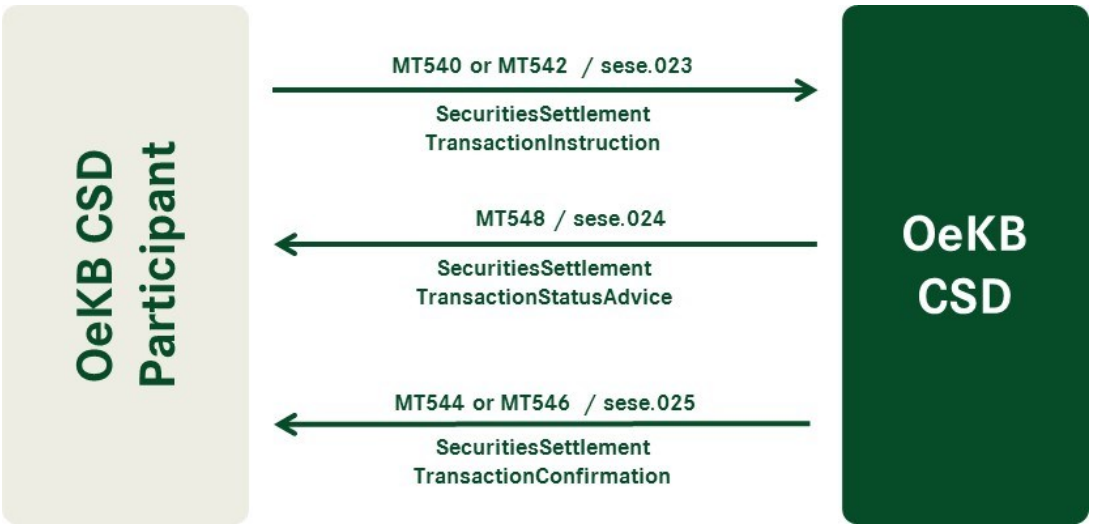


Figure 20: Exchange of instructions - Physical

8.4.1 Physical Deposit

OeKB CSD participants must advise the physical deposit of securities in advance by submitting an instruction on the Settlement Client or via Settlement SWIFT interface. A deposit can take place on any securities account, for which the OeKB CSD participant holds a power of attorney or on a third party account.

Then the OeKB CSD participant physically transfers the physical securities certificates to the OeKB CSD.

After the necessary validations of the securities have been performed, the system settles the instruction and forwards a confirmation to the OeKB CSD participant via Settlement SWIFT interface

(MT544/sese.025). The Settlement Client informs the OeKB CSD participant about the instruction status.

New features:

- Instructions can be submitted via SWIFT
- Instructions can be cancelled by the OeKB CSD participant directly in the system
- Deposit instructions are automatically cancelled after 20 working days if the deposit does not take place.

8.4.2 Physical Withdrawal

OeKB CSD participants must advise the physical withdrawal of securities in advance by submitting an instruction on the Settlement Client or via Settlement SWIFT interface. A withdrawal is only possible from a securities account for which the OeKB CSD participant holds a power of attorney.

Coverage is verified and the positions are blocked.

As soon as the instruction has been settled, the system forwards a confirmation to the OeKB CSD participant via Settlement SWIFT interface (MT546/sese.025). The Settlement Client informs the OeKB CSD participant about the instruction status.

The physical securities certificates are delivered to the OeKB CSD participant by messenger service or mail.

New features:

- Instructions can be submitted via SWIFT
- Instructions can be cancelled by the OeKB CSD participant directly in the system

8.5 Change Global Certificate

Change Global Certificate comprises the increase and decrease of global certificates.

- Increase: Increase of a global certificate
- Decrease: Decrease of a global certificate

SWIFT instructions with T2S:

Instruktion Type	ISO 15022		ISO 20022		
Increase	MT540	22F: SETR/MKUP	sese.023	FREE/ RECE	<SctiesTxTp [5]> MKUP
Decrease	MT542	22F: SETR/MKDW	sese.023	FREE/ DELI	<SctiesTxTp> MKDW

Increase of a global certificate

The OeKB CSD Participant instructs the increase of a global certificate. The instruction can be submitted via SWIFT or by using the Settlement Client.

The instruction is forwarded to the OeKB CSD vault system, where the validation of the authorisation of the OeKB CSD participant for changing the certificate is performed.

If the validation yields a negative result, the OeKB CSD participant receives a rejection.

In case of a positive validation the increase instruction is forwarded in order to be instructed in T2S.

As soon as the instruction is settled in T2S, the respective confirmation is sent to the OeKB CSD participant, which can also be viewed on the Settlement Client.

Decrease of a global certificate

The instruction to decrease of a global certificate can be submitted via SWIFT or by using the Settlement Client.

In order to perform the coverage check a settlement restriction "blocking" instruction is sent to T2S.

In case of coverage the instruction is forwarded to the OeKB CSD vault system. After the validation and the approval of the vault system the decrease is instructed in T2S.

As soon as the instruction is settled in T2S, the respective confirmation is sent to the OeKB CSD participant, which can also be viewed on the Settlement Client.

[5] Securities Transaction Type Code

9 Settlement Restrictions

Settlement restrictions can be used to flag individual positions on a securities account. Sub-balances are calculated accordingly. The available restrictions are Blocking, Reservation and Earmarking (for auto-collateralisation).

OeKB CSD participants can submit settlement restrictions themselves. In certain cases, the OeKB CSD Settlement Services will generate settlement restrictions automatically.

9.1.1 Submitting of Instructions

Instructions for settlement restrictions are submitted either via Settlement SWIFT interface (or T2S A2A) or on the Settlement Client (or T2S U2A) (for details see also chapter 4).

Blocking

A securities position is blocked for a certain reason. Blockings must not exceed the quantity of securities held in the position. If the quantity of the restriction exceeds the quantity in the position, the instruction will not be carried out ("pending instruction"). The "blocking" is executed as soon as a sufficient quantity of units is available.

Blocking instructions are submitted as follows:

- ISO 15022 (MT524)
- ISO 20022 (semt.013)
- Settlement Client (or T2S U2A)

Reservation

A securities position is reserved for a certain reason. Reservation instructions may exceed the quantity of securities held in the position. In this case partial settlement is carried out and all securities booked later on the securities account are automatically "reserved" until the total quantity of the reservation is reached.

Reservation instructions are submitted as follows:

- ISO 15022 (MT524)
- ISO 20022 (semt.013)
- Settlement Client (or T2S U2A)

Earmarking

Positions are earmarked for a certain reason (e.g. for collateralisation). If the quantity of a settlement restriction exceeds the quantity of securities, the system carries out a "partial execution". However, no further executions are carried out after a partial execution.

Earmarking instructions are submitted as follows:

- ISO 15022 (MT524)
- ISO 20022 (semt.013)
- Settlement Client or
- MT540, MT541/sese.023 (directly within the settlement instruction) - in this case the delivered quantity is booked as earmarked position or used for auto-collateralisation "on flow" (see chapter 11.2.1).

The system returns MT548/semt.014 status messages and MT508/semt.015 execution confirmations for all these instructions. A restriction reference number is added in the case of blockings and reservations.

The following actions are possible:

Set-up
A new position is created. A restriction reference number is generated for blockings and reservations. This reference number is included in the execution confirmation. It must be included in case of modifications or when the flagged positions are used.

Increase
Increase of the quantity of an existing restriction. The restriction reference number of blockings and reservations must be included.

Decrease
Decrease of the quantity of an existing restriction, i. e. the position is deallocated. The restriction reference number of blockings and reservations must be included.

Use
Using of an allocated position in an instruction. The restriction reference number of blockings and reservations must be included in the settlement instruction MT540-MT543/sese.023.

OeKB CSD participants can use different restriction types[6] to flag the sub-balances:

AWAS = position available without restriction
BLOn = blocked position
RESn = reserved position
EARn = earmarked position

All available positions on a securities account are automatically assigned the type "AWAS". To carry out a restriction the settlement restriction must include the source and target positions between which to move the securities (intra position movement).

[6] The restriction type definitions are still subject to change. More types might be added or the listed types might get modified.

Example of "Set-Up"

On a securities account there is a position of 1000 units (AWAS). 600 units shall be blocked.
The settlement restriction includes the following:
Quantity: 600
Sub-balance from: AWAS
Sub-balance to: BLO1

The execution confirmation includes the restriction reference no. 123456.

After execution of the settlement restriction the securities account shows 2 sub-balances: 400 units AWAS and 600 units BLO1 (with restriction ref. 123456).

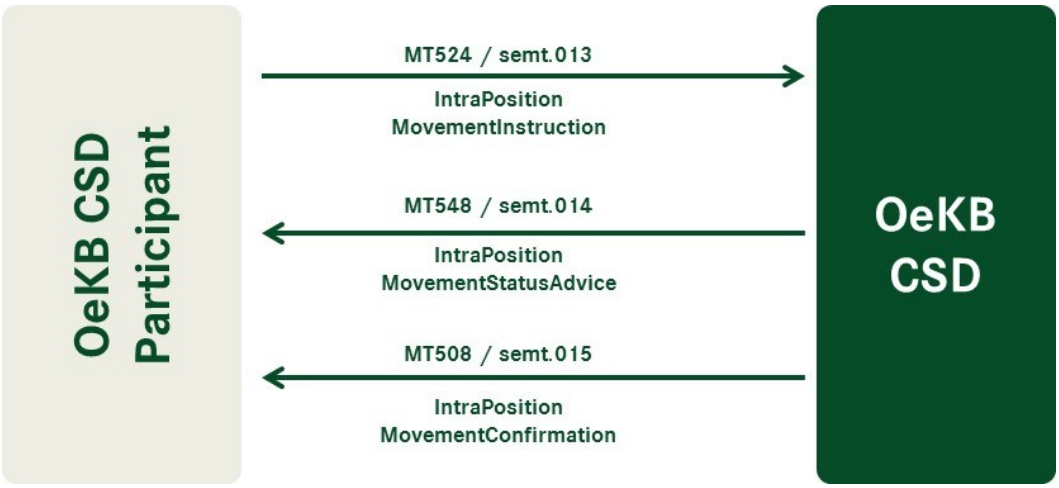


Figure 21: Exchange of instructions - Settlement restriction

Example of "Use"

The blocked position BLO1 with restriction ref. no. 123456 shall be used in a settlement instruction.

The settlement instruction must included the following:
Lot number: 123456
Securities Sub Balance Type Indicator: BLO1

For a complete description of the message formats, please refer to the *Settlement SWIFT Manual* and the *Settlement Client User Manual*.

9.1.2 Validation of Instructions

All messages are validated. This applies to messages for instructions submitted on the Settlement Client and for instructions sent via Settlement SWIFT interface.

For details on validation rules governing the OeKB CSD Settlement Services, please refer to the *Settlement Client User Manual*. For details on validation rules governing SWIFT message, please refer to the *Settlement SWIFT Manual*.

9.1.3 Modification of Restrictions

Settlement restrictions can be modified either via Settlement SWIFT interface (or T2S A2A) or on the Settlement Client (or T2S U2A).

- ISO 15022 (MT530)
- ISO 20022 (sese.030)
- Settlement Client (or T2S U2A)

It is possible to modify the following indicators for a restriction:

- Priority
- Linkage (Linkages Block)

In the case of partially settled settlement restrictions only the "priority" of the part still open can be modified.

Only one process indicator can be modified in a single modification instruction.

To modify other fields of an restriction the settlement restriction must be cancelled and a new instruction must be sent.

9.1.4 Cancellation of Restrictions

Settlement restrictions can be cancelled as long as the modification of the position has not yet been carried out.

Settlement restrictions can be cancelled on the Settlement Client (or T2S U2A) or via Settlement SWIFT interface (or T2S A2A).

- ISO 15022 (MT524)
- ISO 20022 (sese.020)
- Settlement Client (or T2S U2A)

10 OeKB CSD Market Specific Attributes and Rules

It is the general intention of the OeKB CSD to align settlement processes as much as possible with the T2S standard. Therefore, the OeKB CSD plans to limit the use of Market Specific Attributes (MSA), i.e. CSD-specific extensions of participant master data, securities accounts, securities and rules.

MSAs

Securities account: securities account category (see chapter 5.2)

Rules

Rules in connection with settlement instructions can have the following consequences:

- Rejection: The system automatically rejects the instruction and returns the rule accompanied by a descriptive text.
- CSD Validation Hold: The instruction in question is stopped until the CSD has completed a validation or an external process.
- CoSD Hold (Conditional Securities Delivery): A CoSD Hold is carried out on the intended settlement day and simultaneously blocks the required quantities (cash or units).

Trigger	Description	Rule
Securities Account Category	Technically blocked	Reject
	Customer-specific deposit and withdrawal blocks	CSD Validation Hold until completion of individual validation process
	Special Holding Type	CSD Validation Hold until completion of registration
Multicurrency (only for ICPs)	Special settlement for DVPs in CHF, GBP, USD and RUB (see chapter 8.1.10)	CoSD Hold until completion of cash leg

Blocking

For the following transaction types it is necessary to block positions:

- External-CSD settlement instructions
- Certain corporate actions

11 Auto-Collateralisation

Auto-collateralisation is an intra-day credit in central bank funds to facilitate the processing of DVP transactions in cases of temporarily insufficient liquidity on the DCA (Dedicated Cash Account).

For auto-collateralisation to be possible, certain settings must be made on the securities account as well as on the cash side.

The cash-side settings are effected on the part of the OeNB (DCA settings).

11.1 Prerequisites on the Securities Account

A precondition for auto-collateralisation is the existence of securities which can be used as collateral. For the system to be able to identify these securities they must be earmarked accordingly.

It is possible either to earmark a complete securities account or certain individual positions.

- Earmarking of a complete securities account is done in the securities account master data and is carried out by the OeKB CSD (after a OeKB CSD participant's request to that effect).
- Individual positions can be earmarked directly by OeKB CSD participants by means of settlement restrictions (see chapter 9).

The OeNB determines the securities which are admitted as collateral. It publishes a list of securities admitted as collateral and their prices daily before 7 p.m.

11.2 Types of Auto-Collateralisation

There are two types of auto-collateralisation:

- Auto-collateralisaton "on flow"
- Auto-collateralisaton "on stock"

First, the system attempts to settle DVP instructions using the cash available on the DCA. If DCA liquidity is insufficient, the system verifies whether auto-coll "on flow" would be possible. If this is not the case, auto-coll "on stock" is effected.

11.2.1 Auto-Collateralisaton "On Flow"

In the case of auto-coll "on flow" the security specified in the purchase instruction is used as collateral.

The prerequisites are:

- The security must be admitted as collateral by the OeNB.
- The securities account specified in the purchase instruction must be earmarked.

or

- The settlement instruction itself indicates that the position shall be earmarked as collateral (restriction type Earmarking included in the instruction, e.g. Securities Sub Balance Type Indicator: EAR1).

Process

(1) Settlement instructions are sent
(2) Insufficient coverage on the DCA
(3) Auto-collateral "on flow" is possible
(4) Securities are transferred and simultaneously booked as collateral on the OeNB securities account
(5) At the same time the OeNB provides the required liquidity on the DCA which is then used for the settlement of the DVP instruction.

11.2.2 Auto-Collateralisaton "On Stock"

Auto-coll "on stock" is carried out if auto-coll "on flow" is not possible.

The prerequisites are:

- A securities account or a position is earmarked for auto-coll.
- The securities on the securities account or in the position are admitted as collateral by the OeNB.

Process

(1) Settlement instructions are sent
(2) Insufficient coverage on the DCA
(3) Auto-collateral "on flow" is not possible
(4) Securities are booked from the collateral securities account/position to the OeNB securities account
(5) OeNB provides liquidity on the DCA
(6) The settlement instruction is settled

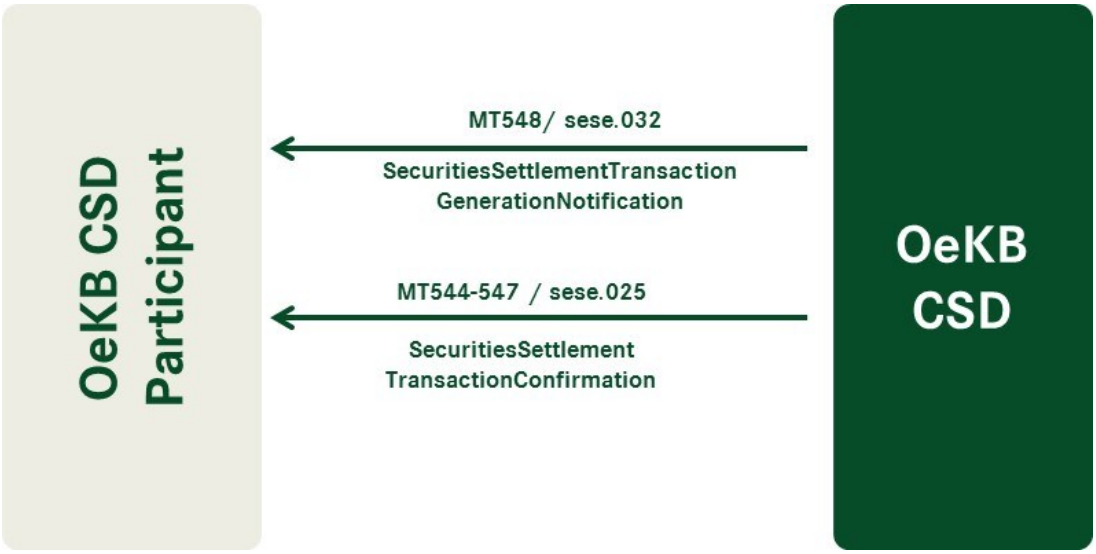


Figure 22: Auto-Collateralisation: Opening leg

11.2.3 Reimbursement of the Collateral

With auto-collateralisation being an intra-day credit, reimbursement is effected daily.

The system automatically generates a "Reimbursement" instruction with the status Party Hold (MT548/sese.032) for reimbursement of the collateral. The instruction can be released by the OeKB CSD participant at any time. If not, it is released automatically by the system at the end of the day.

The prerequisite for successful reimbursement is sufficient liquidity on the DCA.

During end-of-day processing the system checks all DCAs of a OeKB CSD participant to be able to reimburse all open intra-day credits. If this is not possible, a relocation is carried out.

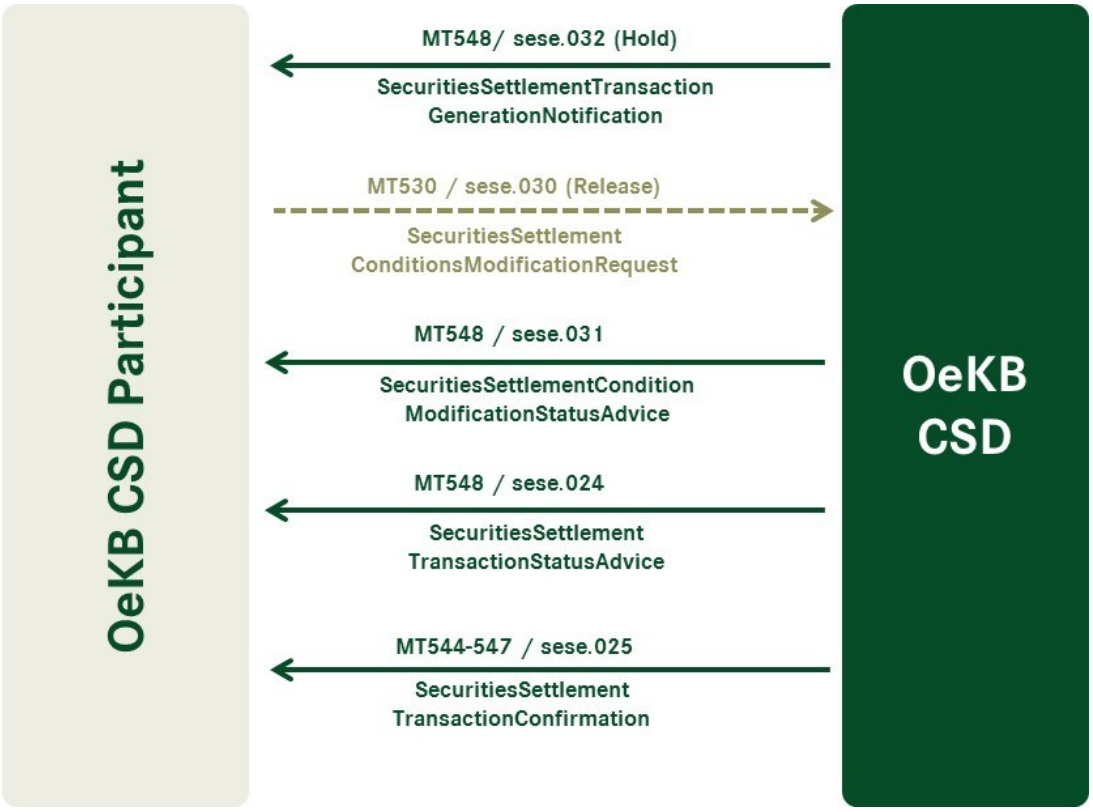


Figure 23: Auto-collateralisation reimbursement: Closing leg

11.2.4 Relocation

A relocation automatically books collateral from a OeKB CSD participant to the OeNB Regular Securities Account and additionally provides liquidity on the DCA. This liquidity is used to settle all open reimbursement instructions.

The reimbursement from the OeNB Regular Securities Account must be instructed manually, because there is no automatic process to do so. Any such reimbursement must be agreed between the OeKB CSD participant and the OeNB (daylight overdraft – night-time overdraft – HOAM.AT). For details, please see the documentation provided by the OeNB.

11.2.5 Auto-Collateralisation Settlement Messages

In the auto-collateralisation process settlement messages are generated automatically. This includes the sending of notifications and executions about transfer bookings from the OeKB CSD participant's securities account to the securities account of OeNB.

- Notification of the transfer booking MT548/sese.032
- Execution confirmation of the transfer booking MT547/sese.025

For the reimbursement another notification with indicator "Hold" is sent. After the instruction has been properly released the system sends a confirmation.

- Notification of the transfer booking MT548/sese.032 "Hold"
- Manual release with MT530/sese.030
- Status information about release MT548/sese.31
- Status information about reimbursement instruction MT548/sese.31
- Execution confirmation of the transfer booking MT547/sese.025

The same message types are used for the notifications sent during the execution of a relocation.

OeKB CSD participants can access the messages on the Settlement Client or set the message subscription to receive them via Settlement SWIFT interface.

For a description of the messages, please refer to the *Settlement SWIFT Manual*.

11.2.6 Substitution of Collateral Positions

If a position earmarked as collateral is required for a delivery instruction, the position is automatically substituted by another collateral.

As a precondition sufficient positions must be earmarked for auto-collateralisation. If the checks have been completed with a positive result, the system automatically substitutes the collateral position and the delivery instruction can be settled successfully.

11.2.7 Auto-Collateralisation Details and Settings

All restrictions for the securities account and for positions are available via the securities positions enquiry functionality on the Settlement Client. The positions are displayed according to the existing sub-balances (AWAS, EAR1, ...). This makes it easy to identify positions earmarked for auto-collateralisation.

OeKB CSD participants can access all generated settlement instructions on the Settlement Client (or T2S U2A). Similarly, all SWIFT messages are sent to the OeKB CSD participant, if the message subscription is configured accordingly.

12 Settlement of Corporate Actions

12.1 Corporate Actions Overview

Administrating of corporate actions is carried out in the Asset Servicing System of the OeKB CSD. Notifications and confirmations for corporate actions will continue to be sent via Asset Servicing System using SWIFT message types MT56x also after the introduction of T2S.

This document only describes the aspects relevant to T2S settlement, it does not consider the Asset Servicing aspects.

The settlement of cash and/or securities bookings resulting from corporate actions are settled in T2S as settlement messages of the instruction type fitting the type of corporate action:

- PFD (Payment Free of Delivery)
- DFP (Delivery Free of Payment)

The processes for the settlement of corporate actions comply with the standards set by CAJWG (Corporate Action Joint Working Group), by CANIG Austria (Corporate Action National Implementation Group) and by CASG (T2S Corporate Actions Subgroup).

According to these standards corporate actions are classified as follows:

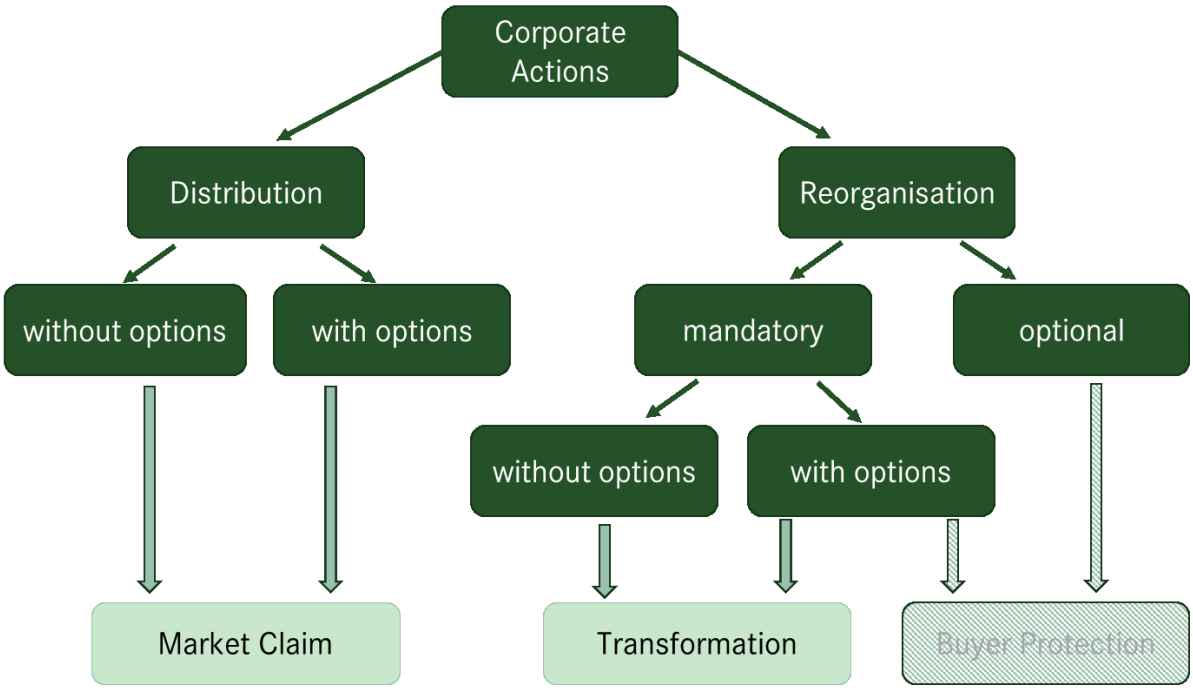


Figure 24: Classification of Corporate Actions

12.2 Distributions

12.2.1 Cash Distributions

Revenue payments in EUR (EUR in original currency or converted to EUR from multicurrencies) are exclusively booked on T2S DCA (Dedicated Cash Accounts). Booking is effected by PFD settlement instructions in T2S.

Multicurrency revenues (please see list on web site) are booked on OeKB CSD cash accounts.

The following figure shows the connections between Asset Servicing and T2S for the settlement of cash distributions.

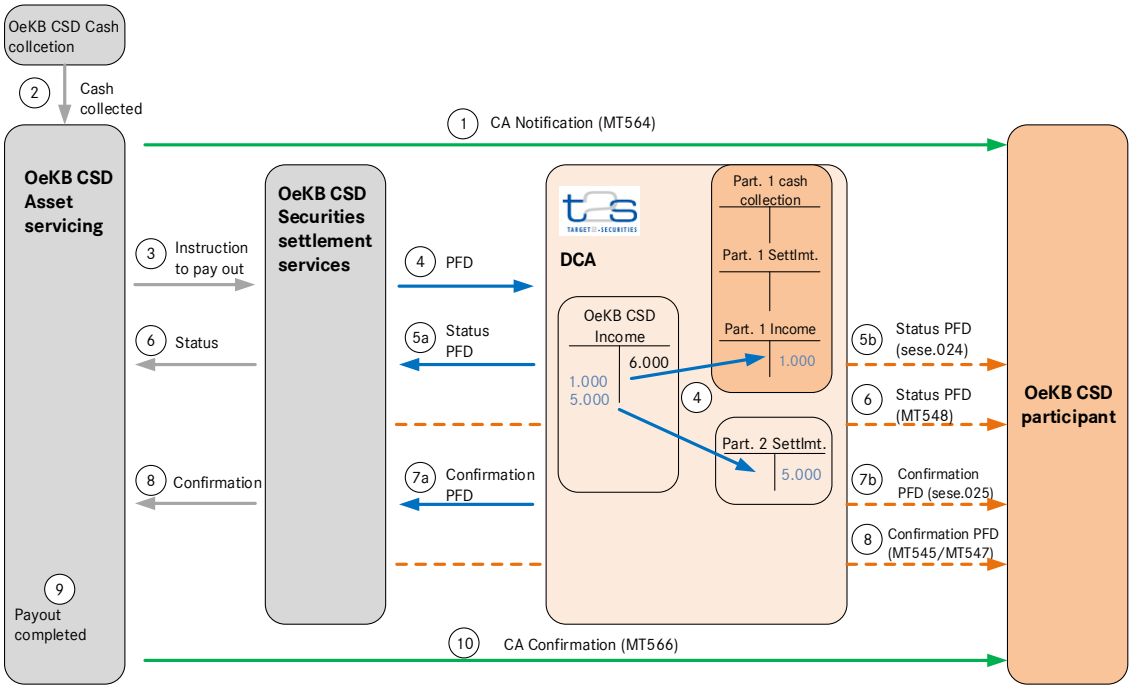


Figure 25: Settlement of Cash Distributions

12.2.2 Securities Distributions

Securities bookings are effected by FOP settlement instructions in T2S.

The following figure shows the connections between Asset Servicing and T2S for the settlement of securities distributions.

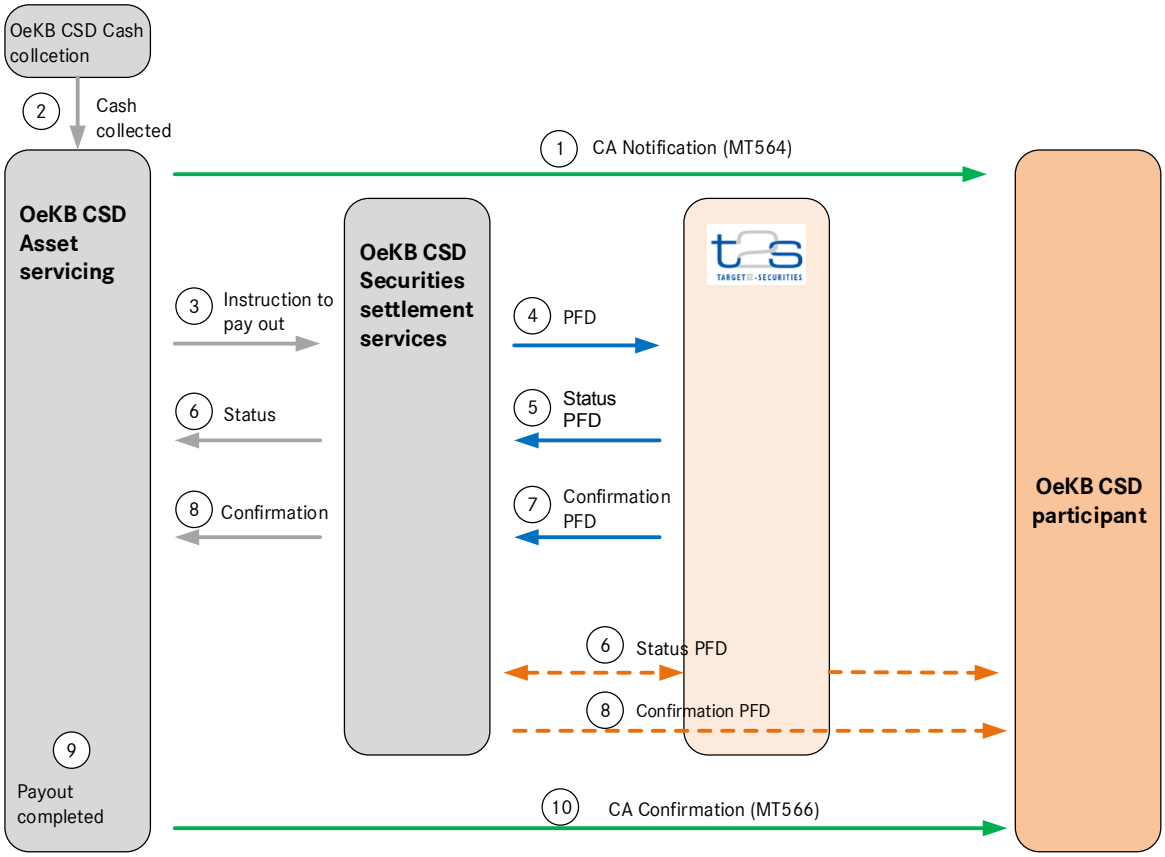


Figure 26: Settlement of Securities Distributions

12.2.3 Securities and Cash

Booking is effected by FOP and PFD settlement instructions in T2S.

12.3 Reorganisations

A reorganisation is a corporate action affecting the capital or voting right shares of shareholders. This might be either a change in base capital, a change in the share and voting rights structure or any other action affecting the capital shares of shareholders.

Settlement/booking is effected by FOP instructions in T2S.

12.4 Corporate Actions Settlement - Time Line

Corporate actions settlement instructions are created after the securities and/or the cash payment have been received, at the earliest by SOD of the pay day and then sent to T2S.

For reorganisations (corporate action modifying the positions) the ISIN will be blocked during settlement in T2S to prevent open instructions from being settled.

After settlement of the corporate action the ISIN is unblocked. If possible, corporate actions modifying the positions will be settled during end-of-day processing and attempted to be completed before night-time settlement. This way, the ISIN block does not affect the settlement of customer instructions.

Deletion of the old ISIN:

As specified by the Corporate Actions Standards new ISINs must be allocated in the event of reorganisations.

The old ISIN is set to inactive and at the same time the new ISIN gets activated. After the reorganisation has been completed instructions can only be entered using the new ISIN.

12.5 Instruction Description

All T2S settlement instructions related to corporate actions will be generated by the OeKB CSD and sent to the T2S platform. The customers will only be sent status messages and confirmations for these instructions, which can be identified by the following characteristics (see also Characteristics of Instructions for Transaction Management):

- Transaction type code -> CORP
- References:
  - RELA: reference of the instruction, which has been generated by the OeKB CSD
  - CORP: unique corporate action event reference

12.6 Transaction Management

According to the Corporate Actions Standards adjustments (Transaction Management) will be carried out for open transactions (settlement instructions with status). Depending on the corporate action the transaction management includes 3 categories:

- Market claims
- Transformations
- Buyer protection

12.7 Opt-Out and Ex/Cum Indicators in Settlement Instructions

Indicators, which can be used as "additional matching field" in settlement instructions, impact the creation and settlement of market claims and transformations.

- If the opt-out indicator is set, no transaction management will be carried out.
- The ex/cum indicator is used only for market claims.

See also chapter 8.1.6.2, Additional Matching Fields.

12.7.1 Market claims

A Market Claim is defined as a process which triggers the allotment of distributions to the entitled party of a settlement instruction.

Market claims are generated for all distributions where there are open settlement instructions on the record date. In rare cases (e.g. truncated settlement period) market claims for settled instructions are possible.

A market claim will be determined by the IOC (Instruction Owner CSD) according to the following criteria:

- For the first time on the record date and then for the following 20 days (business days)
- Depending on the ex date, record date of the distribution and on the settlement date of the settlement instruction
- Settlement instructions with status "matched", "settled", "partial settlement"
- Opt-out and ex/cum indicators in the settlement instruction will be considered

A market claim will be created in T2S using the following instruction types:

- PFD (Payment Free of Delivery) Cash
- DFP (Delivery Free of Payment) Securities

Characteristics of a market claim instruction in T2S:

- Transaction type code -> CLAI
- References:
  - SEME: reference of the claim instruction
  - PREV: reference of the settlement instruction (customer reference/SEME)
  - RELA: reference of the instruction, which has been generated by the OeKB CSD
  - CORP: corporate action event reference
- Trade Date = trade date of the settlement instruction
- Settlement Date = payment date of the corporate action
- "Party Hold" status identical to that of the settlement instruction
- "CSD Hold" status set until CA is settled
- No partial settlement for market claims (NPAR)
- Currency and tax status identical to that of the settlement instruction

The market claim instruction is independent of the settlement instruction. There is no linkage. It is created by the corresponding CSD, the CSD participant is responsible for administrating the market claim instructions.

Workflow of a market claim where OeKB CSD is IOC for both participants:

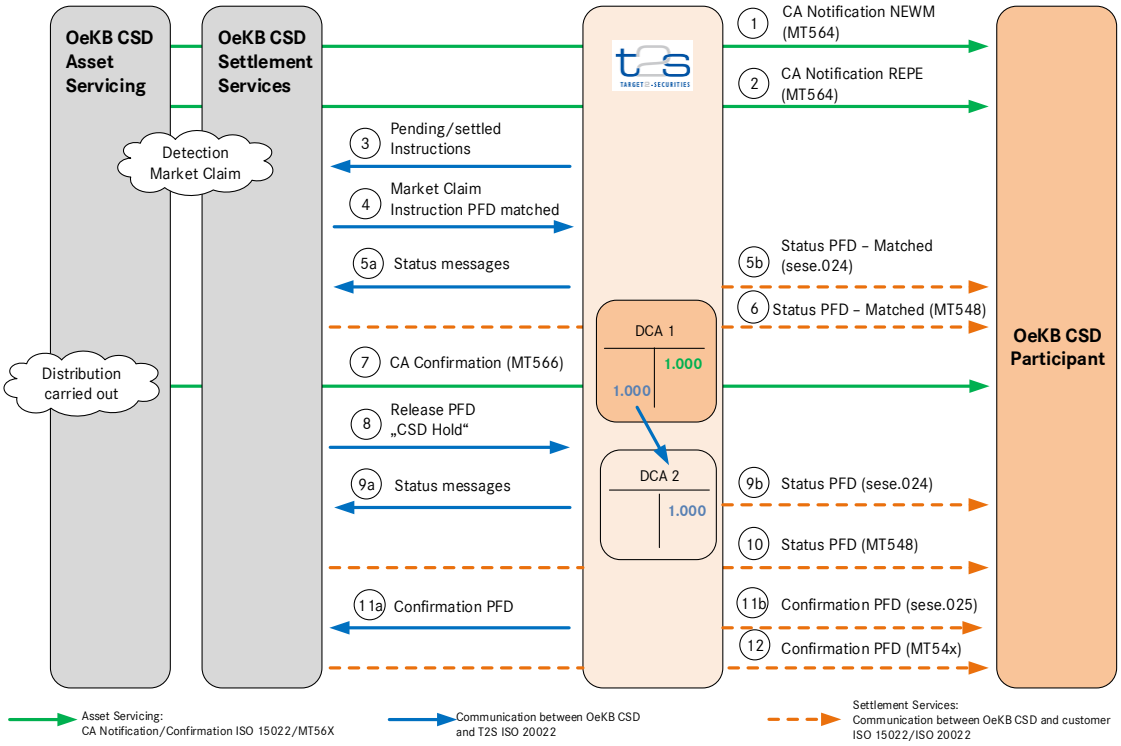

OeKB CSD Asset Servicing
OeKB CSD Settlement Services
OeKB CSD Participant
Detection Market Claim
Distribution carried out
1 CA Notification NEWM (MT564)
2 CA Notification REPE (MT564)
3 Pending/settled Instructions
4 Market Claim Instruction PFD matched
5a Status messages
5b Status PFD – Matched (sese.024)
6 Status PFD – Matched (MT548)
7 CA Confirmation (MT566)
8 Release PFD „CSD Hold“
9a Status messages
9b Status PFD (sese.024)
10 Status PFD (MT548)
11a Confirmation PFD
11b Confirmation PFD (sese.025)
12 Confirmation PFD (MT54x)
DCA 1
1.000
1.000
DCA 2
1.000
Asset Servicing: CA Notification/Confirmation ISO 15022/MT56X
Communication between OeKB CSD and T2S ISO 20022
Settlement Services: Communication between OeKB CSD and customer ISO 15022/ISO 20022

Figure 27: Settlement of Market Claims, both counterparties are participants OeKB CSD

For possible options to identify claims, please see Appendix 2.

12.7.2 Transformations

In the event of a reorganisation instructions open by EOD of the record date will be cancelled and a new instruction according to the reorganisation conditions will be generated.

This will be determined by the IOC (Instruction Owner CSD):

- On the Record Date
- Settlement instructions with status "matched" and "unmatched" will be cancelled
- Independent of the ISD (intended settlement date)

If an opt-out indicator is present, the settlement instruction will only be cancelled, there will be no transformation.

Cancellation of the Instruction

The automatic cancellation and the corresponding status modifications of the instruction will be indicated by SWIFT MT548 messages.

Characteristics of a transformation instruction

Transformation instructions are only created for instructions that have reached status matched at least.

- Transaction condition code -> TRAN
- References:
  - SEME: reference of the transformation instruction
  - PREV: reference of the original instruction (customer reference/SEME)
  - RELA: reference of the instruction, which has been generated by the OeKB CSD
  - CORP: corporate action event reference
- Trade Date = trade date of the original instruction
- Settlement Date = ISD (intended settlement date) of the original instruction or payment date of the corporate action (whichever is last)
- "Party Hold" status identical to that of the original instruction
- "CSD Hold" status set until CA is settled
- Partial settlement indicator identical to that of the original instruction

Possible Cases

Depend on the reorganisation

- Creation of 1-n transformation instruction(s)
  - Transformation in 1-n new ISIN(s) -> instruction type identical to that of the original instruction
  - Transformation in cash -> instruction type PFD
    - Original FOP instruction ->1 PFD
    - Original DVP instruction ->2 PFD

For examples of transformations, please see Appendix 3

12.7.3 Buyer Protection

Buyer protection is not supported by any automated features. This shall be carried out bilaterally between the customers.

13 Billing Information Module

The OeKB CSD Settlement Services provide a Billing Information Module for OeKB CSD participants, which comprises the following functionalities:

- All fees due are listed on one invoice issued by OeKB CSD to the OeKB CSD participant.
- The fees invoiced are as follows, according to the latest OeKB CSD price list:
  - Fees for settlement of instructions
  - Fees for securities safekeeping and administration
  - Fees for corporate actions
  - Communication fees
  - Manually calculated fees
- Display of invoice data on the Settlement Client.
  - Display and archiving of the digitally signed invoice PDFs
  - Detailed analysis functionalities for the invoiced charges per OeKB CSD participant and per period

All settlement fees (including cancellation or penalty fees) accumulated from OeKB CSD Settlement Services are charged in Euros, monthly in arrears.

Default interests for transaction type "Settlement within T2S" are invoiced in the currency concerned immediately at the time of transaction processing.

14 Reporting

14.1 Statement of Holdings

14.1.1 Format

The statement of holdings will be available in three formats:

1. As a SWIFT MT545
2. As a SWIFT semt.002
3. As a report (PDF by email/for download online or as a printed hard copy. Fax sending has been discontinued.

14.1.2 Content

Securities Accounts

Because all securities accounts are considered to be of equal significance with the migration to T2S a separate SWIFT message will be generated for each securities account. Depending on its volume the statement of holdings may be split among several messages. There is no possibility to compile the data of several securities accounts in one statement of holdings.

Fees for securities safekeeping and administration

The statement of holdings does not contain information about fees for the safekeeping and administration of securities. Those are available in the Billing module (see chapter 13).

Value

The value of securities account positions is calculated using the current securities price.

Custody Type

Individual Custody: There is a separate securities account for securities held in individual custody. All other securities accounts show either custody type GS (collective clearing custody) or WR (fiduciary collective custody) for the positions. The custody type is defined for the ISIN.

Sub-Balances

For each securities account the total positions, available positions and not available positions are indicated. Sub-balances, i.e. positions available without restriction and positions allocated to the different restriction types (e.g. for earmarking, blocking or reservation), are indicated separately. If positions allocated to a restriction type (e.g. blocking) show different sub-balance identifiers (e.g. separate blocking positions), they are indicated separately.

14.1.3 Control of SWIFT Message Sending

A statement of holdings can be sent to several BIC addresses. It is possible for each combination of BIC and securities account to set the frequency of SWIFT message sending (daily, weekly, monthly).

14.1.4 Statement of Holdings as Hard Copy / PDF

Aside from sending via SWIFT the statement of holdings can be received in the form of a report, either printed as paper hard copy or in PDF format to be received by email or downloaded online.

The structure of content of the printable statement of holdings is similar to the SWIFT message, with all legal requirements considered (e.g. specification of the safekeeping location Vienna).

The printing of statements of holdings is subject to fees.

For bandwidth reasons the size of PDFs is limited. PDFs will remain accessible online for the period of one year.

14.1.5 Sending Control Parameters

The following parameters can be set for each securities account:

- Frequency of SWIFT message sending
- Recipient of the SWIFT message (multiple recipients are supported)
- Statement of holding as: PDF online, PDF by email, hard copy by mail (multiple recipients are supported - including frequency for each delivery type)
- Email addresses (5 max)
- Mailing address and contact person

The settings are managed and maintained by the OeKB CSD Service Center as requested by the customer.

14.2 Statement of Transactions

14.2.1 Form

The statement of transactions is generated daily or on request by MT536 (semt.017). The statement of transactions report is available only via SWIFT, as opposed to the statement of holdings.

14.2.2 Content

Because all securities accounts are considered to be of equal significance with the migration to T2S a separate SWIFT message will be generated for each securities account. Depending on its volume the statement of transactions report may be split among several messages. There is no possibility to compile the data of several securities accounts in one statement of transactions report.

14.2.3 Control of SWIFT Message Sending

A statement of transactions report can be sent to several BIC addresses. Is it not possible to individually set the frequency of SWIFT message sending. The report is sent daily or ad hoc.

14.2.4 Sending Control Parameters

The following parameters can be set for each securities account:

- SWIFT message sending yes/no
- Recipient of the SWIFT message (multiple recipients are supported)

The settings are managed and maintained by the OeKB CSD Service Center as requested by the customer.

Appendix 1 Migration Waves Overview

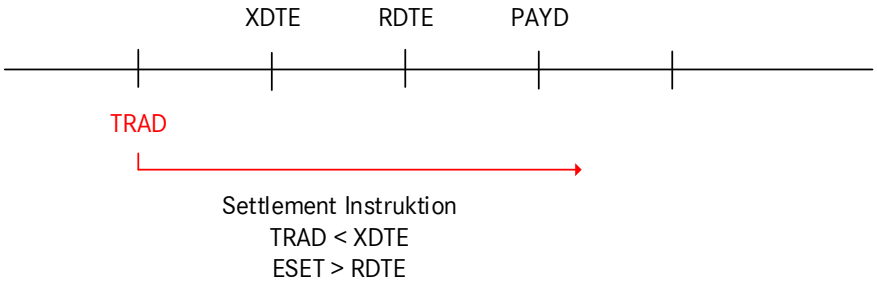
First wave **22 June 2015** **T2S Go Live**	**Second wave** **28 March 2016**	**Third Wave** **12 September 2016**	**Fourth Wave** **6 February 2017**
Bank of Greece Securities System (BOGS)	Euroclear Belgium	Clearstream Banking (Germany)	Centrálny depozitár cenných papierov SR (CDCP) (Slovakia)
Depozitarul Central (Romania)	Euroclear France	KELER (Hungary)	Eesti Väärtpaberikeskus (Estonia)
Malta Stock Exchange	Euroclear Nederland	LuxCSD (Luxembourg)	Euroclear Finland
SIX SIS (Switzerland)	Interbolsa (Portugal)	**Oesterreichische Kontrollbank (Austria)**	Iberclear (Spain)
	National Bank of Belgium Securities Settlement System (NBB-SSS)	VP LUX (Luxembourg)	KDD - Centralna klirinško depotna družba, d.d. (Slovenia)
		VP Securities (Denmark)	Lietuvos centrinis vertybinių popierių depozitoriumas (Lithuania)
			BNY Mellon CSD (Belgium)
			Latvijas Centrālais depozitārijs (Latvia)

For details, please refer to the websites of the Eurosystem at
http://www.ecb.europa.eu/paym/t2s/stakeholders/csd/html/index.en.html

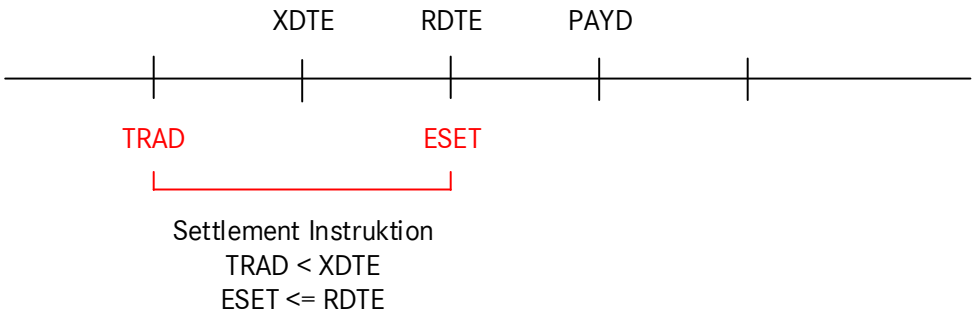
Appendix 2 Identification of Market Claims and Transformations

Identification of Market Claim on Record Date

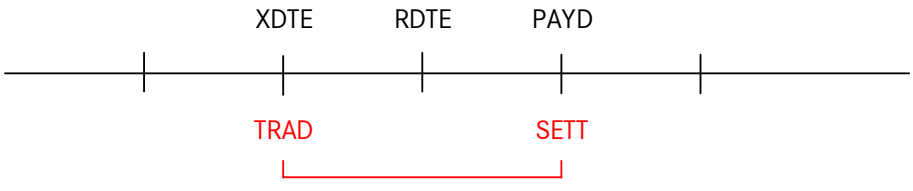
- **Case 1 - Standard**
  - Trade date before ex-date
  - Settlement instruction pending/failing on record date EOD
  - I) Market claim "Seller to Buyer" = no indicator or 'Cum' indicator
  - II) No market claim = 'Ex' indicator



- **Case 2 – 'Ex' Indicator**
  - Trade date before ex-date
  - Settlement instruction is settled
  - Effective settlement date before/on record date
  - I) No market claim = no indicator or 'Cum' indicator
  - II) Market claim "Buyer to Seller" = 'Ex' indicator

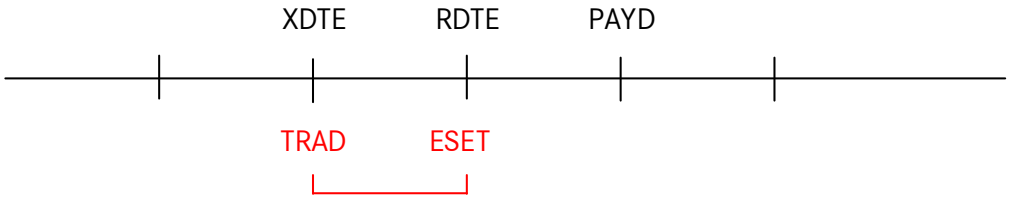


- **Case 3 – 'Cum' Indicator**
  - Trade date on/after ex-date
  - Settlement date > record date
  - I) No market claim = no indicator or 'Ex' indicator
  - II) Market claim "Seller to Buyer" = 'Cum' indicator



Settlement Instruktion
TRAD >= XDTE
SETT > RDTE

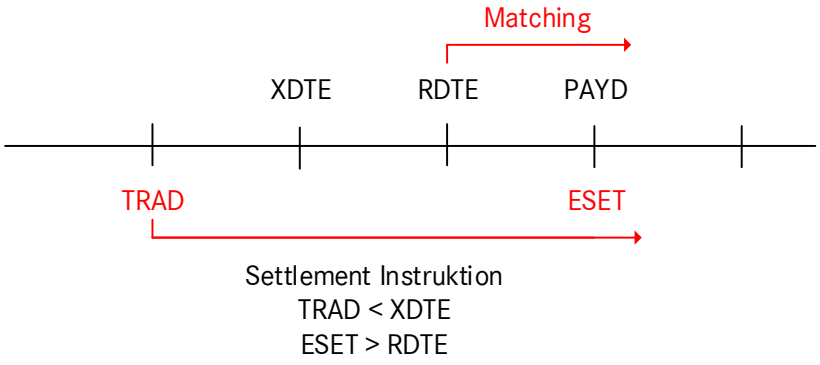
- **Case 4 – Truncated Settlement Cycle**
  - Trade date on/after ex-date
  - Effective settlement date on/before record date
  - I) Market claim "Buyer to Seller" = no indicator or 'Ex' indicator
  - II) No market claim = 'Cum' indicator



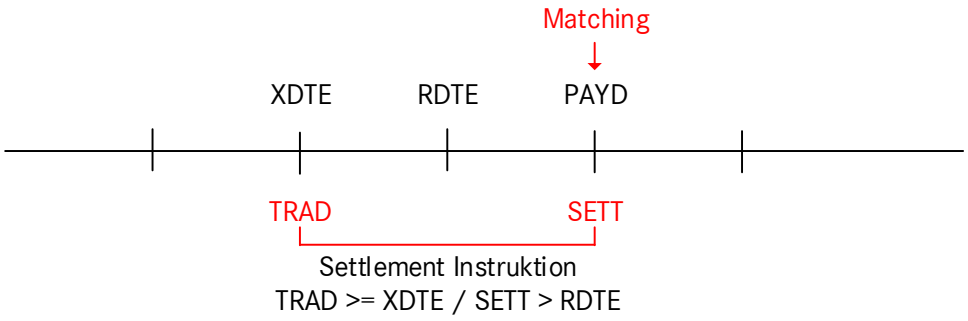
Settlement Instruktion
TRAD >= XDTE
ESET <= RDTE

Identification of Market Claim after Record Date

- **Case 1a**
  - Trade date before ex-date
  - Matching after Record Date
  - Effective settlement date after record date
  - I) Market claim "Seller to Buyer" = no indicator or 'Cum' indicator
  - II) No market claim = 'Ex' indicator

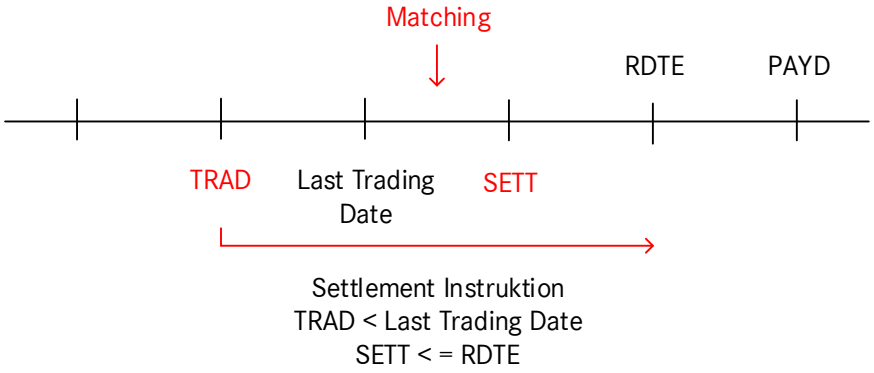


- **Case 3a**
  - Trade date on/after ex-date
  - Matching after Record Date
  - Effective settlement date after record date
  - I) No market claim = no indicator or 'Ex' indicator
  - II) Market claim "Seller to Buyer" = 'Cum' indicator



- **Identification of Transformation on Record Date**
  - Trade date before last trading date
  - ISD before/on record date

  Settlement instruction pending/failing on record date EOD



Appendix 3 Examples of Transformations

Example Redemption (REDM)

- REDM (Final Redemption)
  - *RDTE = 12.12.2014*
  - PAYD = 15.12.2014
- DVP BA to EB FAMT 1,000,000 vs. EUR 1,005,000.00
  - TRAD 10.12.2014
  - SETT 12.12.2014
  - Status = Matched/MONY (12.12.2014 EOD)
- Transformation on 12.12.2014 EOD

→ Creation of two PFD instructions:

  - **PFD 1**: Payment from EB to BA EUR 1,005,000.00 (Transformation of the original DVP instruction)
  - **PFD 2**: Payment from BA to EB EUR 1,000,000.00 (Payment of the redemption amount)
  - TRAD = 10.12.2014
  - SETT = 15.12.2014 (equals PAYD)
- Payment of the redemption amount for REDM

  EUR 1,000,000.00 to BA for PAYD 15.12.2014

Example Stock Split (SPLF)

- SPLF (Stock Split)
  - ISIN A → ISIN B ratio 1:2
  - RDTE = 12.12.2014
  - PAYD = 15.12.2014
- DVP instructions
  - **DVP1** BA to EB UNIT 1,000 ISIN A
    - TRAD 10.12.2014 SETT 12.12.2014
    - Status = Matched/LACK
  - **DVP2** BAW to RBI UNIT 5,000 ISIN A
    - TRAD 10.12.2014 SETT 12.12.2014
    - Status = Unmatched
- Cancellation and transformation on RDTE EOD (12.12.)
  - Both DVP instructions are cancelled
  - Transformation of the original instruction **DVP1**
    - **DVP1** BA to EB shs 2,000 ISIN B
    - TRAD 10.12.2014 SETT 15.12.2014
    - Status = Matched

Settlement of the corporate action on PAYD 15.12.2014

Example Exchange Offer (EXOF)

- EXOF/MAND (Mandatory Exchange Offer)
  - ISIN A → ISIN B ratio 1:2
    → ISIN C ratio 1:3
  - RDTE = 12.12.2014
  - PAYD = 15.12.2014
- DVP instruction
  - DVP1 CEN to DBW shs 1,000 ISIN A vs EUR 15,000.00
    - TRAD 10.12.2014 SETT 12.12.2014
    - Status = Matched/LACK
- Cancellation and transformation on RDTE EOD (12.12.)
  - Instruction **DVP1** is cancelled.

- Transformation of the original instruction **DVP1**
  → 2 new DVP instructions:
  - **DVP2** CEN to DBW shs 2,000 ISIN B vs EUR 6,000.00
  - **DVP3** CEN to DBW shs 3,000 ISIN C vs EUR 9,000.00
  - TRAD 10.12.2014 SETT 15.12.2014
  - Status = Matched
- Settlement of the corporate action on PAYD 15.12.2014

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